



DYNAMIC COLOURS LIMITED



ANNUAL
REPORT
2018



CONTENTS

01	Corporate Profile
02	Chairman's Statement
04	Operations Review
07	Financial Highlights
08	Strategic Locations and Markets
09	Products and Services
11	Board of Directors and Key Management
13	Group Structure
14	Sustainability Report
32	Corporate Information
33	Corporate Governance Report
68	Directors' Statement
72	Independent Auditor's Report
77	Statements of Financial Position
78	Consolidated Statement of Comprehensive Income
79	Consolidated Statement of Changes In Equity
81	Statement of Changes In Equity
82	Consolidated Statement of Cash Flows
84	Notes to the Financial Statements
140	Shareholders' Information
143	Notice of Annual General Meeting
146	Disclosure of Information on Directors Seeking Re-election Proxy Form

CORPORATE PROFILE

Established in 1993, Dynamic Colours Limited is principally engaged in the business of colour compounding and modified compounding of resins, as well as manufacture of heavy-duty polyethylene bags and other plastic packaging materials.

We supply our resin compounding products to plastic injection moulders ("PIMs") and original equipment manufacturers ("OEMs") who in turn serve customers such as Hewlett-Packard, Dell, BenQ, Netgear, Sharp, Sony, Asus, Alcatel and Lego. Our production facilities in Suzhou are amongst the forerunners in Jiangsu Province, PRC, and are strategically located near existing and potential clients. Our other production facilities are located in Malaysia and Vietnam.

In Malaysia, our production facilities manufacture heavy-duty polyethylene bags and other plastic packaging materials. Presently, we serve mainly the petrochemical hub on Jurong Island and count amongst our customers leading companies such as ExxonMobil, Chevron Phillips and The Polyolefin Company (Singapore) Pte Ltd.



CHAIRMAN'S STATEMENT

The Group will face a dynamic environment ahead, having a direct influence on how it operates in the economic legal, technological, competitive and social factors. The Management will continue to stay vigilant on these developments as well as consolidate its resources and capabilities to tap on any potentially viable business opportunities.

DEAR SHAREHOLDERS,

I am happy to inform that the Company was the Silver recipient of the Best Managed Board in the category for companies with less than S\$300 million in market capitalization at the Singapore Corporate Awards in 2018. This was the second time the Company was recognized when in 2017 it received a Bronze under the same category. This award is a commendable testimony of good corporate governance practiced by the Board and Management to deliver with excellence value to the Group and to all its stakeholders in the operations of the Company.

Overall FY2018 has been an eventful year with economic and other challenges particularly those with cross-border operations like ours. Geo-political and trade uncertainties added to the difficult market conditions in the demand and supply swings in the product lines of the Group. The Group took stock of its current resources and operational capacities to adjust to this market environment, build on our existing businesses and strengthen control and risk management matrix.

Despite the challenging year in 2018, I am pleased to report that the Group achieved profitability and declared a dividend to maintain value to the shareholders.

OPERATING HIGHLIGHTS

The Group reported a lower profit of US\$1.39 million in FY2018, declining by 58.4% from US\$3.34 million last year. This was contributed largely in the reduction of our RC and PP sales tonnages by 19.9% and 10.8% respectively, reflecting in the drop in revenues by 7.7% to US\$40.82 million. The higher costs of raw materials have resulted in gross profit coming down by 25.6%. The macro-economic factors and competition in all the operating countries of Singapore, China, Malaysia and Vietnam has intensified thus affecting performance of the Group.

However, the Group maintained a better positive cashflow from its operating activities of US\$3.35 million as compared US\$2.60 million last year. The higher operating cashflow arose by better management of inventories and lowering inventory levels. Cash outflow from investing activities of US\$0.55 million was largely due to acquisition of property, plant and equipment in Vietnam and Malaysia. For cash outflow used in financial activities of US\$5.22 million, it was a conscientious effort to lower borrowings and our repayment of outstanding loans, in face of a higher interest rate environment; despite of dividends paid during the year. The Group's cash position for FY2018 remains at a healthy US\$6.64 million.

CHAIRMAN'S STATEMENT

LOOKING AHEAD

The Group will face a dynamic environment ahead, having a direct influence on how it operates in the economic, legal, technological, competitive and social factors. The Management will continue to stay vigilant on these developments as well as consolidate its resources and capabilities to tap on any potentially viable business opportunities.

DIVIDEND

For the financial year ended 31 December 2018, the Board has recommended a final dividend of S\$0.005 per share (tax exempt), which approximates to S\$1.05 million in total.

ACKNOWLEDGEMENTS

On behalf of the Board and Management of Dynamic Colours Limited, allow me to record my sincere thanks and appreciation to our shareholders and all stakeholders for their trust and confidence as well as our staff for their commitment and dedication, amidst the many unknown challenges during the year. We believe with all your continued support, the Group will be able to weather the challenges and strive to grow the Group's businesses.

YEO HOCK LENG

Executive Chairman and
Group Managing Director



OPERATIONS REVIEW



Financial Year ended 31 December 2018 ("FY2018") compared to Financial Year ended 31 December 2017 ("FY2017")

OVERVIEW OF GROUP'S BUSINESS

The core businesses of Dynamic Colours Group ("the Group") are in resin compounding and polyethylene packaging. Currently, our resin compounding ("RC") segment comprises our wholly owned subsidiaries in China, Vietnam and Malaysia, namely, Suzhou Huiye Plastic Industry Co., Ltd ("SHP"), Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC"), Huiye (Vietnam) Plastic Co., Ltd ("HVP") and Huiye Polymer (M) Sdn. Bhd. ("HPM"). Our polyethylene packaging ("PP") segment is represented by S. L. Packaging Industries Pte Ltd ("SLP") in Singapore and HPM in Malaysia.

In FY2018, our RC segment accounted for 57.1% (FY2017: 56.1%) of the total Group's revenue and 42.9% (FY2017: 43.9%) was contributed by the PP segment.

STATEMENT OF COMPREHENSIVE INCOME

In general, Group revenue decreased by US\$3.39 million (7.7%), from US\$44.21 million in FY2017 to US\$40.82 million in FY2018, mainly due to reduction in overall sales tonnage.

RC segment saw its revenue decrease by US\$1.50 million (6.1%), from US\$24.79 million to US\$23.29 million for FY2018. The lower revenue was

due to a reduction in sales tonnage by 19.9% despite RC average selling price increasing by 14.7% per tonnage.

PP segment revenue reported a decline by US\$1.89 million (9.7%) from US\$19.42 million to US\$17.53 million. The lower revenue was due to a drop in PP sales tonnage 10.8%, notwithstanding PP average selling price that rose marginally by 1.3% per tonnage.

With the reduction in revenue, cost of sales also fell by US\$1.50 million (4.1%) from US\$36.82 million in FY2017 to US\$35.32 million for FY2018. The less than proportionate decrease as compared to the revenue drop was due mainly to certain increases in raw material costs that were not passed on to customers. The resultant revenue and cost dynamics saw a slide in the overall gross profit margin from 16.7% in FY2017 to 13.5% in FY2018.

Gross profit for FY2018 was US\$5.50 million as compared to US\$7.39 million a year ago, a reduction of 25.6%.

Other income increased significantly by US\$0.20 million (67.8%) to US\$0.50 million in FY2018. This was mainly arising from rental and scrap income.

Distribution expenses increased by US\$0.13 million (12.9%) from US\$1.01 million to US\$1.14 million mainly attributed to staff-related costs.

Administrative expenses increased by 8.6% from US\$2.45 million in FY2017 to US\$2.66 million in FY2018. This is also due mainly to staff-related costs.

OPERATIONS REVIEW



Finance income decreased from US\$0.13 million to US\$0.03 million. Finance cost increased from US\$0.07 million to US\$0.17 million. Overall, FY2018 reported a net finance cost position of US\$0.15 million as compared to a net finance income position of US\$0.07 million for the same period last year. These resulted from bank financing interest and net foreign exchange loss.

As a result of the above, the Group's profit for the financial year decreased by 58.4% from US\$3.34 million in FY2017 to US\$1.39 million in FY2018. RC segment contributed 57.1% (FY2017: 49.5%) and PP segment accounted for 42.9% (FY2017: 50.5%) of the profit before tax.

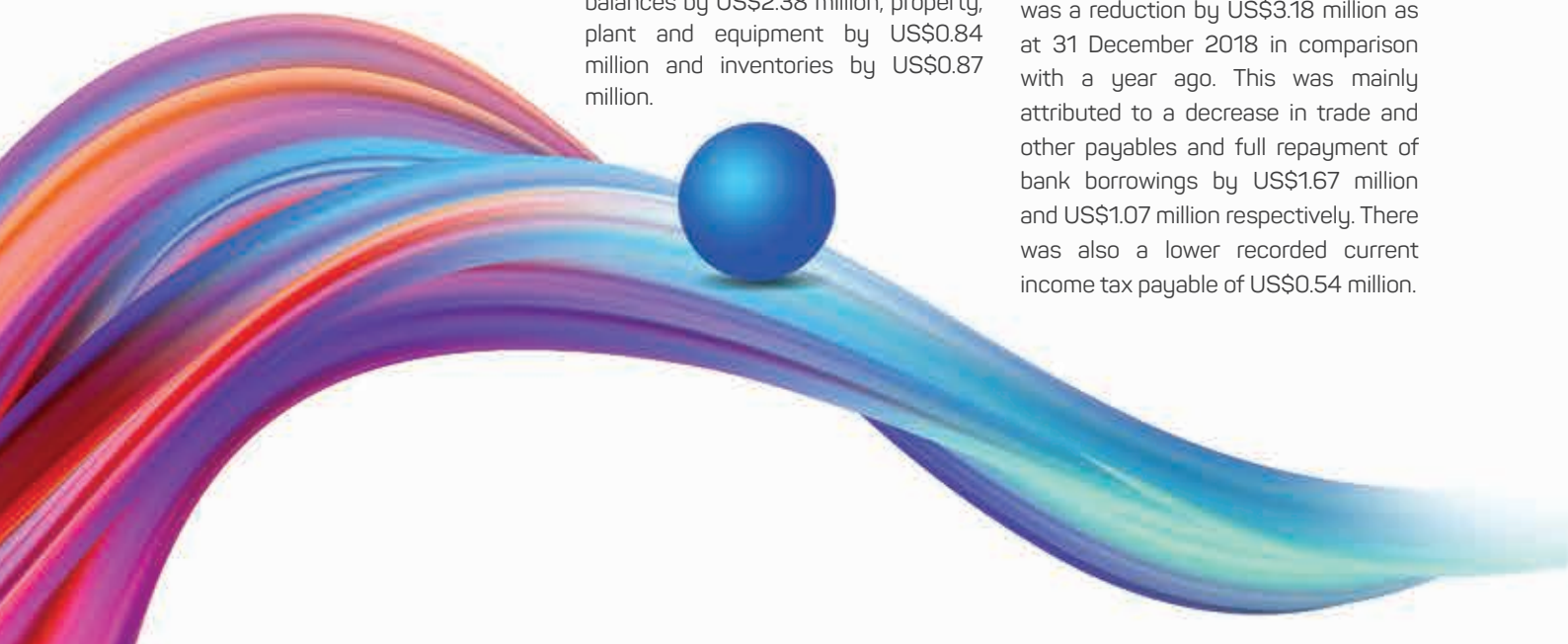
STATEMENT OF FINANCIAL POSITION

Overall, the total assets for the Group as at 31 December 2018 declined by US\$4.31 million as compared to the same period last financial year as a result of decrease in cash and bank balances by US\$2.38 million, property, plant and equipment by US\$0.84 million and inventories by US\$0.87 million.

The reduction in property, plant and equipment from US\$15.59 million in FY2017 to US\$14.75 million for FY2018 is mainly due to a combination of the Group depreciation charge of US\$1.36 million partially offset by additions for the year of US\$0.59 million.

The value of inventories decreased from US\$8.04 million to US\$7.17 million for the financial year due to lower finished goods and lesser purchases of raw materials for the financial year.

As for total liabilities of the Group, there was a reduction by US\$3.18 million as at 31 December 2018 in comparison with a year ago. This was mainly attributed to a decrease in trade and other payables and full repayment of bank borrowings by US\$1.67 million and US\$1.07 million respectively. There was also a lower recorded current income tax payable of US\$0.54 million.



OPERATIONS REVIEW

The decrease in trade and other payables from US\$5.12 million to US\$3.45 million was largely due to lower purchases and more prompt repayment to suppliers.

Decrease in the equity of the Group of US\$1.13 million from FY2017 to FY2018 was due to dividend paid and translation differences of US\$2.38 million and US\$0.14 million offset against profit of US\$1.39 million.

During FY2018, the Group has adopted SFRS(I) that has applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group. This has resulted in reclassification of cumulative foreign exchange reserve of US\$0.63 million to the retained earnings.

STATEMENT OF CASH FLOWS

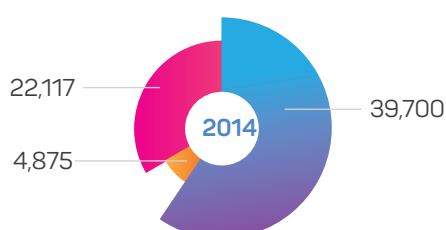
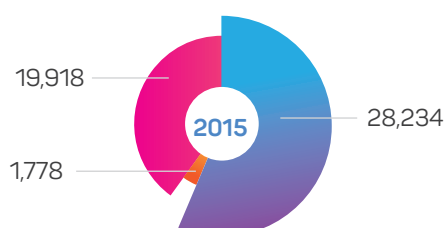
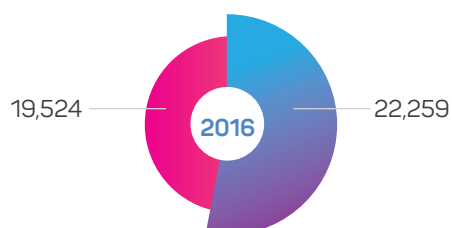
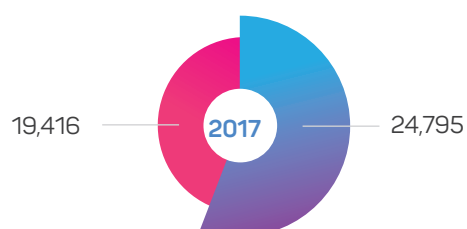
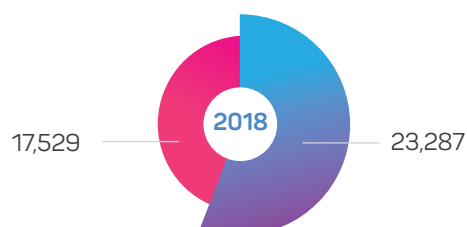
Cash and cash equivalents saw a net decrease by US\$2.42 million for FY2018. This was mainly the result of increase in cashflow used in financing activities for the current year, partially offset by operating results and changes in working capital for the financial year.

The cash flow used in financing activities did not witness any proceeds from short-term loans, unlike in the previous

year's US\$3.50 million. There were also lower proceeds from trust receipts of US\$1.52 million in comparison with the same period last year. Collectively, with lower borrowings and higher dividend payments in FY2018, the net financing cash flow resulted in an US\$5.20 million outflow.

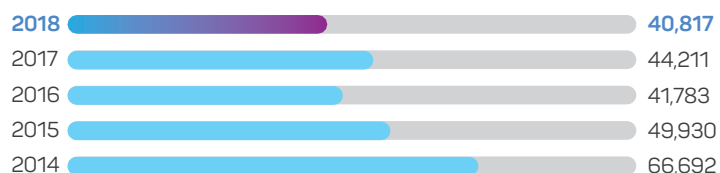
Cash flow used in investing activities in FY2018 did not see any acquisition of prepaid land lease payments in comparison with the same period last year as well as lower acquisition of property, plant and equipment. The net cash outflow of US\$0.55 million from investing activities was largely due to the acquisition of property, plant and equipment in Vietnam and Malaysia.

Net cash from operating activities increased by US\$0.75 million from US\$2.60 million in FY2017 to US\$3.35 million in FY2018. The increase is mainly due to better management of working capital arising from reduction in inventories of US\$0.82 million.

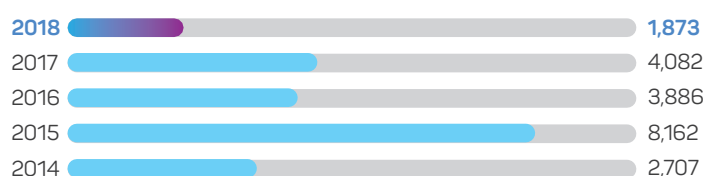
FINANCIAL
HIGHLIGHTSREVENUE BY OPERATING SEGMENT
(US\$'000)

Resin Compounding
 Polyethylene Packaging
 Injection Moulding
 (Ceased operations in July 2015)

REVENUE (US\$'000)



PROFIT BEFORE TAX (US\$'000)



PROFIT AFTER TAX (US\$'000)



BASIC AND DILUTED EARNINGS PER SHARE (US CENTS)



NET ASSET VALUE PER SHARE (US CENTS)



STRATEGIC LOCATIONS AND MARKETS



1

SINGAPORE

21 Woodlands Close #09-12
Primz Bizhub
Singapore 737854

3

HO CHI MINH CITY

12 VSIP II-A, 24 Street,
Vietnam Singapore Industrial
Park II-A, Tan Uyen Town,
Thu Dau Mot City,
Binh Duong Province, Vietnam.

2

SENAI

PLO 80 & 167, Jalan Cyber 5,
Kawasan Perindustrian
Senai Fasa III,
81400 Senai, Johor, Malaysia

4

SUZHOU

No. 96 South Yingchun Road,
Wuzhong District Economic
Development Zone, Suzhou,
Jiangsu Province, China.
Post Code 215128

PRODUCTS AND SERVICES



POLYETHYLENE PACKAGING

☐ HEAVY-DUTY PACKAGING BAGS

- Used for heavy weight packing and storage purpose

☐ HEAVY-DUTY FFS ROLLS

- Used by petrochemical companies for high speed mass packaging of plastic resins
- Custom-made according to size, printing, embossing and film performance.

☐ STRETCH/SHRINK HOOD FOR PALLETISING

- Stretch Hood for Palletising

PRODUCTS WE CARRY INCLUDE:

- Polyethylene (LLDPE, Metallocene LLDPE, LDPE, HDPE)
- Polypropylene (PP)
- Polystyrene (HIPS, GPPS)
- Acrylic plastics (PMMA)
- Acrylonitrile-Butadiene-Styrene (ABS)
- High Performance Engineering and Functional Polymers
 - PC (Polycarbonate)
 - PC/ABS Alloy
 - POM (Polyoxymethylene)
 - PA (Polyamide/Nylon)
 - Glass-Filled, Mineral Filled, PTFE, FR, Conductive, Antistatic, High Heat, UV, Antioxidant etc

SERVICES WE CAN PROVIDE INCLUDE:

- Project Consulting (part design & material selection),
- Managing Supply Chain (off-load the planning and logistic burdens of our customers),
- Customised/Colour Compounding, and blending services,
- Warehousing and Technical Assistance,
- Joint Product Development, and
- Melt Processing-Homogenizing of polymers to improve consistency.

PRODUCTS AND SERVICES



BOARD OF DIRECTORS AND KEY MANAGEMENT

MR YEO HOCK LENG

*Executive Chairman and
Group Managing Director*

Mr Yeo Hock Leng is our Executive Chairman and Group Managing Director and was appointed to our Board on 2 July 1993, when he co-founded Dynamic Colours Pte Ltd with Mdm Goh Seok Eng and also Dynamic Way Sdn Bhd ("Dynamic Way") in 1991.

Mr Yeo has more than 30 years of experience in the resin compounding industry and more than 10 years of experience in the polyethylene packaging industry.

Mr Yeo as our Group Managing Director, is responsible for the general management and strategic development of our Group's business operations.

Mr Yeo is a director of Hundred Vision Equity Sdn Bhd.

MDM GOH SEOK ENG

*Deputy Group Managing Director
and Technical Director*

Mdm Goh Seok Eng is our Deputy Group Managing Director and Technical Director. She was appointed to our Board on 2 July 1993. Mdm Goh has more than 35 years of experience in the resin pigment and compounding industry, and more than 10 years of experience in the polyethylene packaging industry.

She is overall in-charge of technical and product development, procurement and sales matters for our Group. Mdm Goh graduated from Singapore Polytechnic with a Diploma in Chemical Process Technology in 1982 and in 1986, she was awarded with an Advanced Diploma in Polymer Technology.

Mdm Goh is a director of Hundred Vision Equity Sdn Bhd.

MR LAW CHEONG YAN

*Lead Independent Director
Member, Audit and Risk Committee
Member, Remuneration Committee
Member, Nominating Committee*

Mr Law Cheong Yan was appointed to our Board on 1 July 2017.

Mr Law Cheong Yan is currently the Chief Financial Officer of Chip Eng Seng Corporation Ltd (CES). Prior to joining CES in August 2013, Mr Law spent more than 9 years in China and the US managing the businesses of several overseas subsidiaries of Singaporean companies. Mr Law was an auditor with an international accounting firm from September 1995 to June 1999.

Mr Law holds a Bachelor of Accountancy (Hons) Degree from Nanyang Technological University. He is also a member of ISCA and CPA Australia.

MR TAN LYE HUAT

*Independent Director
Chairman, Audit and Risk Committee
Member, Nominating Committee*

Mr Tan Lye Huat was appointed to our Board on 23 May 2011.

Mr Tan began his career in Accounting at Malayan Banking Berhad and switched to Auditing as an Audit-Assistant at then Turquand Youngs & Co. His substantial finance, accounting and commercial experiences were acquired as Finance Director and certain senior executive roles at United Motor Works Private Group in Singapore and the Region.

Mr Tan had previously been actively engaged in corporate governance advocacy, consultancy and training work under HIM Governance Pte Limited, including being the Regional Adviser of Governance for Owners LLP as well as volunteering at a number of other governance-related associations. Mr Tan also holds directorships in four other SGX listed companies: SP Corporation Limited, Japan Foods Holding Ltd, Neo Group Limited and Nera Telecommunications Ltd.

Mr Tan is a Fellow Chartered Accountant of Singapore (FCA (Singapore)), a Fellow of the Association of Chartered Certified Accountants (FCCA), member of the Australian Institute of Company Directors (AICD) as well as a Chartered Director Fellow (C Dir FIoD) of the Institute of Directors (IOD, UK). He was a Fellow of the Chartered Institute of Management Accountants (CIMA), member of the International Corporate Governance Network (ICGN) and the International Policy Governance Association (IPGA).

BOARD OF DIRECTORS AND KEY MANAGEMENT

MR CHONG YEE SIEW SEBASTIAN

*Independent Director
Chairman, Nominating Committee
Chairman, Remuneration Committee*

Mr Chong Yee Siew Sebastian was appointed to our Board on 24 September 2007.

He began his career in 1971 with Turquand Youngs & Co (a predecessor firm of EY) where he rose to senior audit manager. He left the auditing profession in 1980 for an academic career with the National University of Singapore (NUS).

Mr Chong served the NUS Business School as an Associate Professor until his retirement. He currently runs his own financial education firm, Financial Info Analysis Pte Ltd and its subscription-based website, Shareowl.com. He served on the Management Committee and Investor Education Committee of the Securities Investors Association (Singapore) from 2000 to 2009.

He has also served as a member of the Financial Statements Review Committee and the Auditing Practices Committee of the Institute of Singapore Chartered Accountants (ISCA) from 1983 to 1996. He is a Fellow Chartered Accountant of Singapore (FCA (Singapore)) and Fellow of CPA Australia (FCPA (Aust.)). He holds a Bachelor of Accountancy (Honours) from the then University of Singapore and a Master of Economics (Accounting) from the University of Sydney.

Mr Chong is not a director of any other public listed company.

MR SHABBIR S/O HAKIMUDDIN HASSANBHAI

*Non-Executive Director and
Non-Independent Director
Member, Audit and Risk Committee
Member, Remuneration Committee*

Mr Shabbir s/o Hakimuddin Hassanbhai was appointed to our Board on 1 July 2017.

Mr Shabbir Hassanbhai serves as an Independent Director in Intraco Group. He is also active in various business and social organisations in Singapore among which he is the Chairman of the Africa Business Group at Singapore Business Federation; Trustee of the Singapore Indian Development Association (SINDA); Chairman of the Advisory Board of the NTU-SBF Centre for African Studies; Board Member of ITEES (subsidiary of ITE), Singapore.

He also sits on two listed companies in India involved in port and rail logistics and cold end to end cold chain logistic solutions.

Mr Hassanbhai was conferred the Public Service Medal (PBM) in 2010 and awarded the distinguished Long Service Award by the Ministry of Community Development, Youth and Sports (MCYS) in 2011 for his invaluable volunteer service to the community and awarded a medal for service to education from the Ministry of Education in 2014. He was Singapore's Non-Resident High Commissioner to the Federal Republic of Nigeria from 2008-2017.

Mr Hassanbhai is a Fellow of the Chartered Management Institute and a Member of the Association of Chartered Certified Accountants (ACCA).

MR TAN KUAN THIM

Chief Financial Officer

Mr Tan Kuan Thim was appointed as Chief Financial Officer of the Group on 16 July 2018. He has almost close to 2 decades of professional experiences in finance and accounting with local private and public-listed companies as well as multi-national corporations across diverse industries.

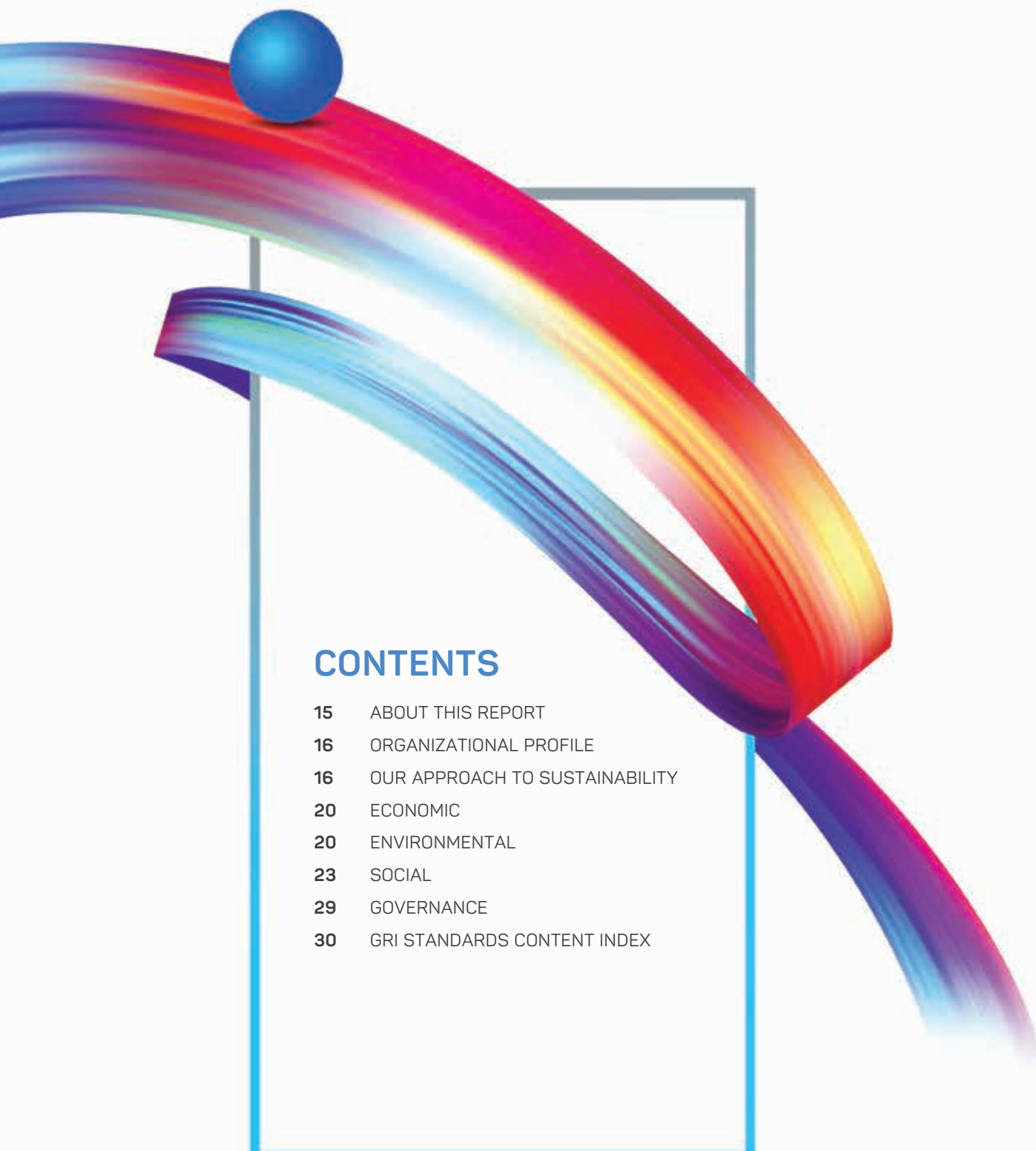
Mr Tan holds a Honours Degree in Accounting and is a Chartered Financial Consultant (ChFC). He is a Fellow of the Association of Chartered Certified Accountants (FCCA) as well as a Member of Institute of Singapore Chartered Accountants (ISCA).



GROUP STRUCTURE



SUSTAINABILITY REPORT



CONTENTS

15	ABOUT THIS REPORT
16	ORGANIZATIONAL PROFILE
16	OUR APPROACH TO SUSTAINABILITY
20	ECONOMIC
20	ENVIRONMENTAL
23	SOCIAL
29	GOVERNANCE
30	GRI STANDARDS CONTENT INDEX

SUSTAINABILITY REPORT

1 ABOUT THIS REPORT

BOARD STATEMENT

We are pleased to present Dynamic Colours Limited ("DCL")'s second annual Sustainability Report, for our financial year ended 31 December 2018 ("FY2018").

DCL recognises the importance of our roles as responsible corporate citizens towards our stakeholders while in pursuit of a sustainable future that enhances long-term shareholder value. Our stakeholders comprise of shareholders, customers, employees, suppliers and the communities as well as the environment in which we operate in.

DCL's sustainability approach focuses on maintaining resilience to adapt to the changing business landscape through deployment of sustainable and efficient processes by improving the bottom line, developing our human capital and making positive contributions to the communities and the environment at large. The key material economic, environmental, social and governance ("EESG") factors for DCL have been identified and reviewed by the Chairman and the CEO. The Board of Directors of DCL ("Board") oversees the Management on monitoring of these factors, and takes them into consideration in the determination of the Company's strategic direction and policies. Sustainability is part of DCL's wider strategy to create long-term value for all our stakeholders.



REPORTING PERIOD AND SCOPE

This report is prepared in compliance with the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B, and references the Global Reporting Initiative (GRI) Standards. Corresponding to GRI's emphasis on materiality, the report highlights the key environmental, social and governance related initiatives carried out throughout the 12-month period, from 1 January to 31 December 2018.

For this year's Sustainability Report, we have also included our production facility in China, and hence covering our presence in China, Malaysia and Singapore.

REPORTING FRAMEWORK

DCL has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in accordance with the GRI Standards reporting guidelines, at Core level.

FEEDBACK

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to enquiry@dynamiccolours.com.

29 March 2019

SUSTAINABILITY REPORT

2 ORGANIZATIONAL PROFILE

Established in 1993, Dynamic Colours Limited is principally engaged in the business of colour compounding and modified compounding of resins, as well as manufacture of heavy-duty polyethylene bags and other plastic packaging materials.

We supply our resin compounding products to plastic injection moulders ("PIMs") and original equipment manufacturers ("OEMs") who in turn serve customers such as Hewlett-Packard, Dell, BenQ, Netgear, Sharp, Sony, Asus, Alcatel and Lego. Our production facilities in Suzhou are amongst the forerunners in Jiangsu Province, PRC, and are strategically located near existing and potential clients. Our other production facilities are located in Malaysia and Vietnam.

In Malaysia, our production facilities manufacture heavy-duty polyethylene bags and other plastic packaging materials. Presently, we serve mainly the petrochemical hub on Jurong Island and count amongst our customers leading companies such as ExxonMobil, Chevron Phillips and The Polyolefin Company (Singapore) Pte Ltd.

ASSOCIATIONS AND MEMBERSHIPS

Dynamic Colours Limited is a member of:

- Singapore Business Federation (SBF)
- Singapore Institute of Directors (SID)

Huiye Polymer Malaysia ("HPM") is a member of:

- Malaysian Plastics Manufacturers Association (MPMA)
- Malaysian International Chamber of Commerce & Industry (MICCI)
- Federation of Malaysian Manufacturers (FMM)

3 OUR APPROACH TO SUSTAINABILITY

As a manufacturer with extensive operations regionally, strategic reviews and efforts have been put in to ensure the Group's commitment toward a Sustainable Growth for the future. The Group has in place these 3 pillars of continual processes that will able Dynamic Colours to achieve its long-term strategic goals:



SUSTAINABILITY REPORT

SUSTAINABILITY COMMITTEE



SUSTAINABILITY REPORTING PROCESS

A summary of our sustainability reporting process is as set out below:



SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

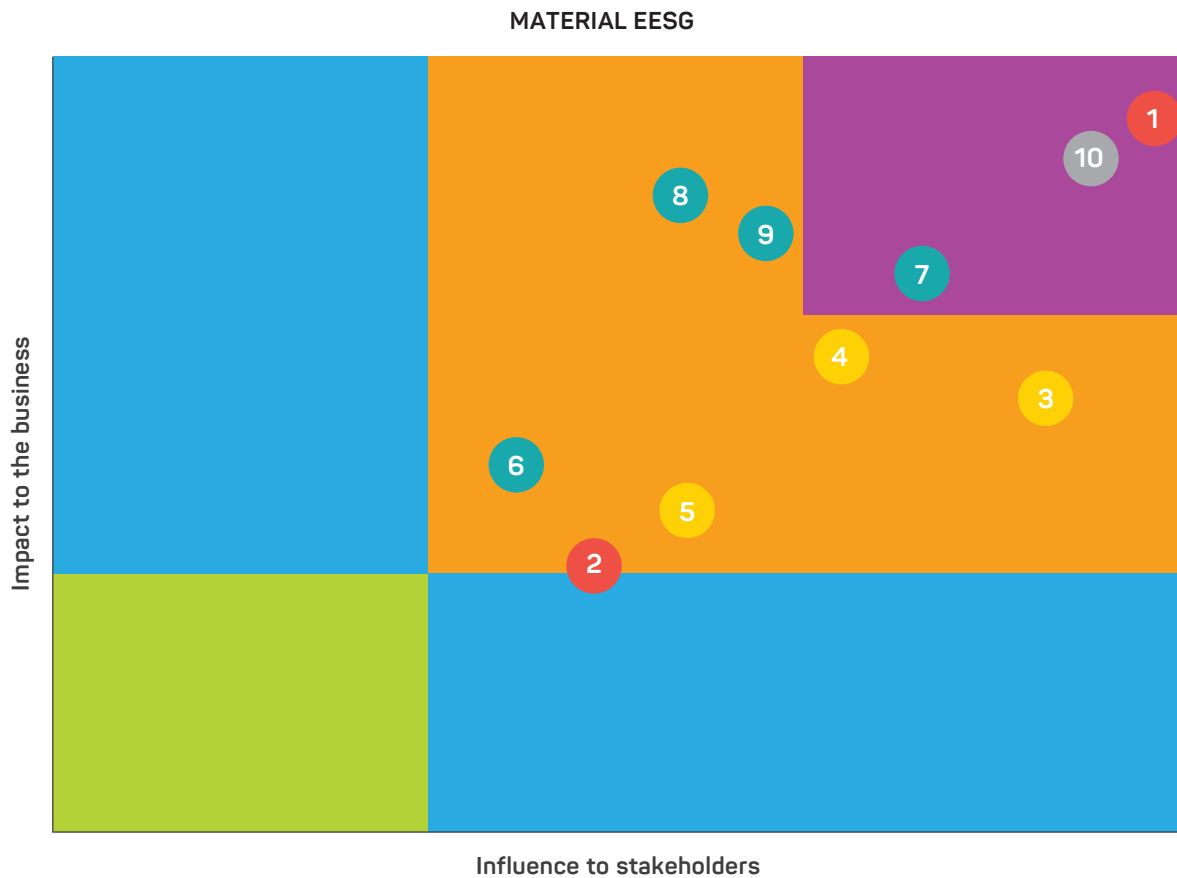
The table below sets out our engagement process with our stakeholders:

Stakeholder	Engagement Platform	Frequency of Engagement	Key concerns raised
Employees 	– Networking sessions – Open dialogues among teams	– Quarterly – Annually	– Sustainable growth, environment, economic and market presence. – Social, diversity of employees and team work.
Customers 	– Hotline – Email queries – Customer visits	– Daily – Quarterly	– Customer complaint handling, customer service as well as product quality and reliability. – Customer service, business ethics, sustainable quality as well as continuous improvement and certification.
Suppliers and Service Providers 	– Face-to-face meetings – Annual review and feedback sessions	– Quarterly – Annually	– Environmental compliant, sustainable supply chain processes and business risks. – Sustainable business processes, business outlook and BCP to ensure continuous demand.
Investors/ Shareholders 	– Group Annual Report – Annual General Meeting – Informal discussion – Group Results Announcements	– Annually – Half-yearly	– Profitability, corporate governance and business outlook. – Profitability, business outlook and performance sustainability.
Government and Regulators 	– Face-to-face meetings – Participation in discussions – Regular reports	– Annually – Quarterly	– Environmental compliant, quality certification and fair employment practices. – Energy conservation efforts, environmental compliant and survey results.

SUSTAINABILITY REPORT

MATERIAL ASPECTS ASSESSMENT

To determine if an aspect is material, we assessed its potential impact on the economy, environment and society and the influence on the stakeholders. Senior management took part along with our consultant. Aspects were identified and prioritised through internal workshops, peer reviews and social impact assessments at site level. Incorporating inputs from our stakeholders, our second materiality assessment resulted in our material factors ranked as follows:



● Economic ● Environmental ● Social ● Governance



Economic

- 1 Economic Performance
- 2 Anti-corruption



Social

- 6 Diversity and Equal Opportunity
- 7 Occupational Health and Safety
- 8 Customer Feedback
- 9 Product Quality



Environmental

- 3 Environmental Compliance
- 4 Energy
- 5 Supplier Environmental Assessment



Governance

- 10 Governance, Business Ethics and Enterprise Risk Management

SUSTAINABILITY REPORT

4 ECONOMIC

ECONOMIC PERFORMANCE

Here at DCL, we are committed to grow with our customers and exceed our customers' expectations. We provide them with competitive edge products by enhancing operational efficiency through constantly upgrading our production capabilities via new techniques, technologies and automation of processes, extending range of inventory of quality, brand-name products, providing personal service and competitive pricing with dependable and on-time delivery.

For detailed financial results, please refer to the following sections in our Annual Report 2018:

- Operations Review, page 04
- Financial Highlights, page 07
- Financial Statements, pages 77 to 139

Our objective is to establish ourselves to be a market leader in our core and diversified businesses by providing quality products and services at competitive prices.

ANTI-CORRUPTION

DCL does not tolerate corruption in any form. This has been made clear to all of our employees, our suppliers and our business partners. Any report of corruption is escalated to the attention of the Chairman. We prohibit corruption in all forms, including extortion and bribery. There was no reported incident of corruption during FY2018. It is DCL's goal to maintain zero incidents of corruption. We will regularly review policies on whistle-blowing and code of ethics which encompasses anti-corruption.

5 ENVIRONMENTAL

ENVIRONMENTAL COMPLIANCE

The Group is aware of the environmental impact from manufacturing activities and is dedicated to ensure our operations and business activities comply with environmental protection regulations and safety regulations.

Whenever possible, the Group reduces, reuses and recycles materials. As part of recycling effort, majority of the wooden pallets and PVC cores on its packaging are reused. The PVC core which is used for holding the polyethylene bags will be carried back from the customers site for reuse. In order to enhance the life span of the wooden pallets, the pallets are heat treated and stored at dry area. The Group also ensure the proper product quality planning and control to reduce the wastages of raw materials.

We reduce our demands on the environment through designing processes and incorporating environmental considerations at all stages of our production and operation that compiles with international guidelines on pollution management. Any waste gases emitted are channelled for proper treatment with the same facility subjected to annual independent compliant assessment. All contaminated inks, lubricant oils, hand gloves/rags and etc. are separated from the general trash. Contractors are hired to ensure that waste has been properly dealt with and in compliance with the Environmental Quality (Scheduled Waste) Regulations.

We focus on creating value through our offering of products and services that reduce environmental impact.

TARGET

Continuous to enhance our business model to generate improvement in shareholder's value for 2019.

TARGET

Zero incidents of corruption to be reported based on whistle-blowing and anti-corruption policies.

TARGET

Continue to comply fully with all environmental laws and regulations

SUSTAINABILITY REPORT

The Group is proud to be accredited the following environmental certifications:

- ISO 9001 Certification – ISO 9001 is the international standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.
- ISO 14001 Certification – ISO 14001 standard is primarily concerned with the approach of “environmental management”, which provides guidance to the organisation in order to minimise harmful effects on the environment caused by business activities and achieve continual improvement of environmental performance.
- RoHS Compliance – RoHS stands for Restriction of Hazardous Substances. RoHS, also known as Directive 2002/95/EC, originated in the European Union and restricts the use of specific hazardous materials found in electrical and electronic products.

For FY2018, there was no known non-compliance with environmental laws and regulations.

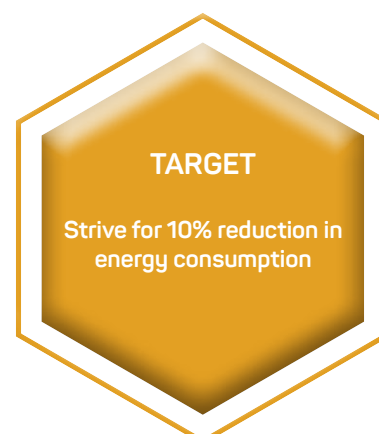
ENERGY CONSUMPTION

DCL has been gathering information on electricity usage of our plants and electricity per production output for our Sustainability Report.

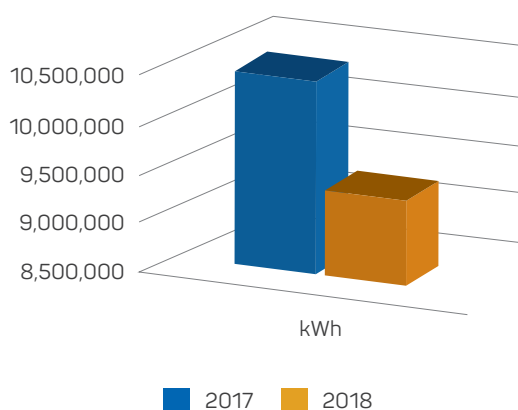
We have invested in a new compressor that runs for 24 hours, as such this is the main equipment supporting our blow-film division. This compressor will be able to achieve up to 30% savings on our energy consumption.

Our Malaysian plant has established an Efficient Electrical Energy Management Committee committed to conduct Energy Efficiency Management in our activities, product and services. We adhere to our commitment towards continual Environmental and Energy Efficiency performance improvement and manage interrelated processes to ensure effectiveness and efficiency of the system.

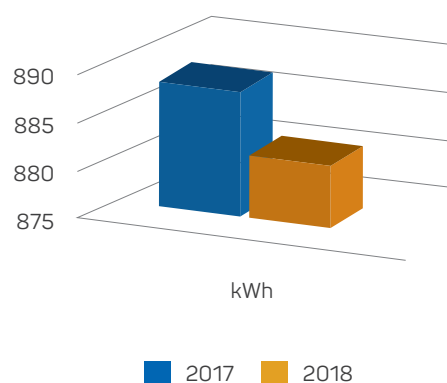
Our total consumption for FY2018 is 13% lesser than the consumption in FY2017.



Energy Consumption (kWh)



Consumption (kWh) per Production output (MT)



SUSTAINABILITY REPORT

At our HPM plant, KWH/production outputs for FY2016 and FY2017 were at 610 and 611 respectively, while we managed to further decrease it to 605 KWH/production output in FY2018. The improvement in energy consumption was mainly due to the adoption of a variable speed drive compressor at our production floor that not only resulted in average energy savings; but an average cut in the lifecycle cost of a compressor.

Additionally, in order to manage energy effectively, we have adopted the following measures:

1. Communicating national and local energy conservation laws and regulations and the Group's energy management policies with the Management to enhance their awareness so that goal congruence towards environmental sustainability can be achieved.
2. Operating an Optimex FFS Coex 3-Layer Blow Film Line in PP. This is one of the lowest specific energy consumption levels in the industry. In addition, the flexibility it gives with easy changeovers that can be automated using optional modules and profiles helps reduce time, energy and raw material wastage.
3. Initiating a project to redeploy redesigned lamps at strategic locations to minimize energy usage.
4. Changing to energy saving LED bulbs on a replacement basis moving forward.

The energy use in our offices is small compared to our factory, however it is important to ensure all our staff are aware of their roles in protecting the environment at all levels. We have recycling bins for paper and for electronic waste such as printer cartridges and laptops. At DCL, we ensure all our staff know that protecting the environment is more than just a corporate social responsibility exercise and we continually find new ways to improve the efficiency of our operations while at the same time reducing our impact on the environment.

SUPPLIER ENVIRONMENTAL ASSESSMENT

DCL has a supplier evaluation process for both new and existing ones. To ensure we deal with suppliers who are equally in support of the sustainability culture, starting FY2019, we will use our re-designed evaluation form incorporating three related criterions as follows:

1. Any reported non-compliance with environmental laws/regulations?
2. MSDS/SDS available? (MSDS stands for Material Safety Data Sheet which contain the information that keep business or organization safe from dangerous chemicals such as methanol, acetone, hydrochloric acid and millions of other hazardous substances.)
3. Capable of meeting regulatory concerns? i) RoHS (RoHS compliant component is tested for the presence of Lead (Pb), Cadmium (Cd), Mercury (Hg), Hexavalent chromium (Hex-Cr), Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE).) or ii) REACH (REACH (EC 1907/2006) aims to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances.)



SUSTAINABILITY REPORT

6 SOCIAL

Our employees are the drivers of our business and we believe in creating a respectful, rewarding and safe working environment for our people. We support and respect the protection of internationally proclaimed human rights.

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of employment and occupation.

DCL believes in employee training and continual career development. The company provides competitive remuneration based on merit to all our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association. Employees are given a minimum of one month's notice prior to any implementation of significant operational changes that could substantially affect them.

All employees at our operations hold permanent contracts and work full-time. We seldom rely on workers who are not full-time employees.



As a reward to our hardworking employees and to enhance good relationship among our peers, we organised a 3-day Group Team Building Event on 26th to 29th May 2018 to Vinpearl Land Nha Trang, Vietnam.

SUSTAINABILITY REPORT

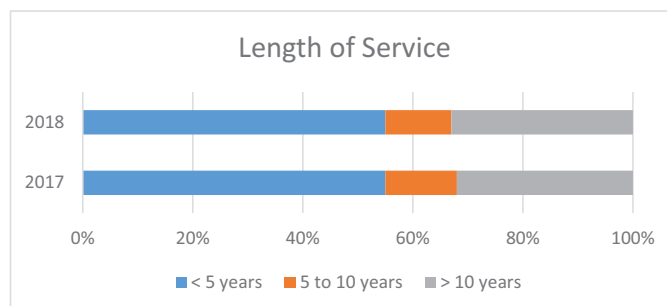
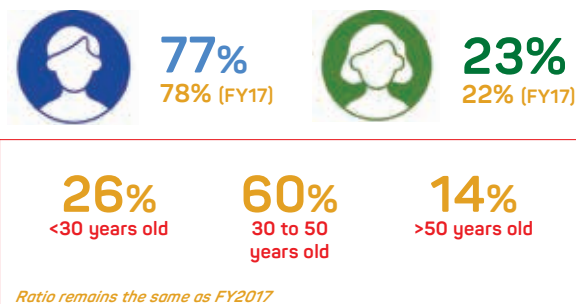
DIVERSITY AND INCLUSION

A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected. In FY2018, we have a total of 148 employees (145 in FY2017) in the covered entities.

The employee engagement survey is conducted periodically to determine the level of satisfaction and to gather feedbacks. Employees' inputs are taken into account in the formulation of human resource practices and programmes such as Corporate Social Responsibility (CSR) or Workplace Health Promotion (WHP) activities.

TARGET

Committed to provide equal opportunities for existing employees and new candidates to maintain a diverse and robust workforce



The photographs are from HPM CNY and Hari Raya 2018, which are some employee bonding activities. CNY was a dinner event and Hari Raya was a buffet lunch at the factory premise. Despite the diversity of its employees, HPM managed to achieve the following objectives:

- Promote better communication and strengthen working relationships.
- Enhance teamwork that can boost employee performances.
- Increasing engagement and sense of belonging to the organisation.



SUSTAINABILITY REPORT

HPM CSR activity done on 12th July 2018 with aim to help 236 handicapped children and 65 old folks, by sponsoring a total value of RM5,000 worth of the following:

- TRAX bike for physiotherapy
- Adults sanitary items and hygiene lotions
- Groceries and other food items



OCCUPATIONAL HEALTH AND SAFETY

We are pleased to report that similar to FY2017, we have zero-industrial accidents as well as zero man-days lost for FY2018. We will continue to stress workplace safety at all times and aim for accident frequency rate of zero in the upcoming years.

DCL is committed to safeguarding our employees' health and safety against any potential workplace hazards.

The focus on health and safety is important for DCL to achieve world-class performance. It is not only a fundamental right for our workers to be able to work in a safe environment, but when our employees' wellness is attained, our productivity increases, and our best is given to our customers. From implementing job safety guidelines and procedures to conduct rigorous safety trainings, we are committed to provide a hazard-free workplace to ensure the well-being of both our employees and environment.

DCL employs a variety of measures to ensure the health and safety of all our staff. Starting from a methodological documentation of all occupational health and safety issues on an employee level, we listen to all our employees' safety concerns and suggestions. The company conducts regular safety checks and enforces all relevant health and safety rules. Our employees are trained to be safety conscious and all potential hazards in the workplace are identified.

Although our training hours in FY2018 is 800 for 104 employees who attended them, they are relatively more specified and targeted training courses as compared to the 1,540 hours in FY2017. Therefore, our average training hours per employee who attended is 8 hours in FY2018 as compared to only 5 hours in FY2017.

TARGET

Continue to publish safety & wellness knowledge among employees and to maintain clean records of zero-injury and diseases in 2019.

SUSTAINABILITY REPORT

At HPM, we have conducted 400 training hours to 29 employees for the following:

- Chemical Safe Handling & Legal Compliance
- Safety of Chemicals Handling (Production Staff)
- Training – Driving Forklift (Internal)
- Risk Assessment Review
- ISO 9001 & 14001 Internal Auditors Refresh Training
- ISO 9001: 2015 & 14001: 2015 Awareness Training
- Briefing on Chemical Health Risk Assessment (CHRA)
- Forklift Operators & Safety Training 2018
- Certified Environmental Professional in Scheduled Waste Management (CePSWaM)
- Time to get ready for sales tax & service tax

Our new employees undergo the required safety training and drills to familiarize themselves with the operation of the machinery and equipment as well as the safety precautions and procedures during the production process.

We conduct safety risk assessments at all levels and at all operating locations. Staff perform regular checks using our Plant Safety & Health Audit Checklist to ensure that training is given to new employees, environment is conducive for working, proper processes are in place, machineries have been checked, and that all electrical and junction boxes are in good working condition. Checks are made to ensure materials are stored properly, that there is no obstruction in the event of fire and that proper health precautions are taken. The Plant Safety & Health Audit Checklist is reviewed and followed up by the Production Manager and reviewed by the Safety & Health Officer and signed off by the Safety and Health Chairman. This is to ensure the internal controls are monitored by management. Any issues will be highlighted by these reports and remedied.

We have a safety committee to oversee the promotion of safety culture and practices at the workplace. Led by a member of our Management, the committee includes representatives from each functional department. Quarterly meetings are held to discuss safety related matters, including reviews of changes in regulatory requirements, outcomes of monthly safety inspection, results from regular risk assessments and the necessary preventive measures. The information is then disseminated by committee members to their peers during their respective department meetings. All of our employees are represented by the joint management-worker safety committee.



SUSTAINABILITY REPORT

To prevent noise-induced deafness (NID), all factory production staff are required to use appropriate personal protection equipment at work. It is mandatory that all of our new staff are required to go through audiometric tests, which are followed-up annually to monitor hearing and detect any symptoms of NID. In addition, on a quarterly basis, HPM meets authorities on 'safety, health and environment' matters.

HPM received the following certifications from Industrial Safety Management Services. HPM passed all the following assessments satisfactorily with no issues:

1. Chemical Health Risk Assessment JKPP IH 127/121-2(51)
2. Noise Monitoring JKJ IH 127/5/3-1 (N038)
3. Mineral Dust Monitoring JKJ IH 127/5/4-1(16)
4. Lead Monitoring JKPP IH 1279/21-1
5. Hygiene Technician 1 JKPP/IH 127/1/171/-3/1(3)
6. Hygiene Technician 2 JKPP/IH 127/171-3/2(13)

Our China, Suzhou facilities also undergo annual noise pollution tests and obtain Jiangsu pollution emission certification to ensure its plant safety and health standards are being met.

CUSTOMER FEEDBACK

Our customers are important to us and their feedbacks matters the most. DCL conducts an annual customer survey and we are proud to report that similar to FY2017, we have received a positive feedback from our customers. In FY2018, our satisfaction survey resulted to 90% customer satisfaction throughout the group while it was 100% in FY2017.

HPM customers' feedbacks for FY2016 and FY2017 were at 85% and 88% respectively, and it increased to 90% in FY2018.

As for Suzhou, our customers' feedbacks for FY2016 was at 93% and FY2017 at 92%. This has improved to 95% for FY2018.

PRODUCT QUALITY

In order to maintain product quality, the Group is proud to be accredited to the following environmental certifications:

- **ISO 9001 Certification:** ISO 9001 is the international standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.
- **Good Manufacturing Practices – WHO-GMP:** Good Manufacturing Practices Certificate gives us the right to be listed in the Directory of registered companies as a manufacturer of food grade polyethylene packaging.

TARGET

Aim for at least 80% positive feedback from existing and new prospective customers.

TARGET

Product reject rate at no more than 1%

SUSTAINABILITY REPORT

Our product reject rate for FY2018 is 1.00% compared to 0.73% in FY2017.

Product line	Product Reject	
	2017 (Jan to Dec)	2018 (Jan to Dec)
RC	0.35%	1.89%
PP	1.10%	0.10%



SUSTAINABILITY REPORT

7 GOVERNANCE

SUSTAINABILITY GOVERNANCE

At DCL, we believe that strong governance is the key to a sustainable business. Being awarded the Best Managed Board at the Singapore Corporate Awards for two consecutive years (2017 to 2018), it is a testament to the good governance put in place and leadership of the board. Throughout 2018, we continue to comply with the Code of Corporate Governance. Please refer to the Annual Report pages 33 to 67 on the details of the SGX Code of Corporate Governance.

By subscribing as a member to accredited bodies such as the Singapore Institute of Directors, it is also a testimony of DCL Board's effort to keep abreast of changes and best practices within the market for better value-add to its stakeholders at large.

It is a continual challenge to successfully manage the environmental and social issues. DCL has incorporated this into our business model and implemented sustainable and responsible practices throughout. The company fully supports the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. Our products and services meet all the requirements demanded by our customers and the regulatory bodies. We meet all environmental and safety standards that are expected of us.

DCL pays strict attention to enforcing good labour practices in all our operations. The company provides many training opportunities for continued employee development, and this is reflected in the quality and delivery of our products and solutions. We value our relationships with our clients and the wider community in which we operate, and these relationships have helped us through challenging times in the past. DCL strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

ENTERPRISE RISK MANAGEMENT (ERM)

ERM is an integral part of good corporate governance as well as resource management. A thorough and comprehensive ERM framework enables DCL to identify, communicate and manage its risks and exposures in an integrated, systematic and consistent manner. For detailed disclosure on ERM, please refer to our Annual Report pages 51 to 57.

BUSINESS ETHICS AND COMPLIANCE

When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct clearly spells out DCL's expectations from our staff and the consequences if any of the rules are violated or standards not met. Of course, we also have clear and fair grievance procedures.

Business ethics are communicated to all our heads of business units regularly, and they must fully understand that compliance with rules and regulations is a key part of running a responsible business. The Company regularly updates key staff with developments in international and local regulations. DCL fully complies with all environmental rules and regulations, anti-competitive behaviour laws and all requirements on health and safety. We prohibit corruption in all forms, including extortion and bribery.

Cyber security and data privacy are important not just for compliance, but in safeguarding both our data and that of our customers. DCL takes measures to guard against cyber risks for both our internal and external stakeholders by complying with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons and Senior Management on a need-to-know basis.

Similar to FY2017, there was no significant fines or non-monetary sanctions for non-compliance with laws and regulations in FY2018.



SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference/Description
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102-1	Name of organisation	Dynamic Colours Limited
	102-2	Activities, brands, products and services	Annual Report (AR) pages 9 to 10
	102-3	Location of headquarters	Singapore
	102-4	Location of operations	Sustainability Report (SR) page 16
	102-5	Ownership and legal form	AR page 13
	102-6	Markets served	AR page 8
	102-7	Scale of the organisation	SR pages 16, 24
	102-8	Information on employees and other workers	SR page 24
	102-9	Supply chain	Generally, HPM purchases raw materials from DCL and SHP, which in turn processes and sells to SLP as well as its own customers.
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	DCL supports the intent of the Precautionary Principle, but has not expressed a specific commitment
	102-12	External initiatives	SR page 24 – 25
	102-13	Membership of associations	SR page 16
	102-14	Statement from senior decision maker	SR page 15
	102-16	Values, principles, standards and norms of behaviour	SR page 29
102-18	Governance structure	AR pages 33 to 67	
102-40	List of stakeholder groups	SR page 18	
102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders	SR page 18	
102-43	Approach to stakeholder engagement	SR page 18	
102-44	Key topics and concerns raised	SR page 18	

SUSTAINABILITY REPORT

GRI Standard	Disclosure	Reference/Description
	102-45 Entities included in the consolidated financial statements	AR page 110
	102-46 Defining report content and topic boundaries	SR page 15
	102-47 List of material topics	SR page 19
	102-48 Restatement of information	We have added our Suzhou entity in this year's report.
	102-49 Changes in reporting	None
	102-50 Reporting period	1 January to 31 December 2018
	102-51 Date of most recent previous report	31 December 2017
	102-52 Reporting cycle	Annually
	102-53 Contact point for questions about the report	SR page 15
	102-54 Claims if reporting in accordance with the GRI Standards	SR page 15
	102-55 GRI content index	SR pages 30 to 31
	102-56 External Assurance	We may seek external assurance in the future.
MATERIAL TOPICS		
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	SR page 20
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	SR page 20
GRI 302: Energy	305-1 Energy consumption within the organisation	SR page 21 – 22
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	SR page 20
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	SR page 22
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	SR page 24
GRI 403: Occupational Health and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	SR page 25 – 27

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE

Yeo Hock Leng (Executive Chairman and Group Managing Director)

Goh Seok Eng (Deputy Group Managing Director and Technical Director)

NON-EXECUTIVE

Law Cheong Yan (Lead Independent Director)

Tan Lye Huat (Independent Director)

Chong Yee Siew Sebastian (Independent Director)

Shabbir s/o Hakimuddin Hassanbhai (Non-Independent Director)

NOMINATING COMMITTEE

Chong Yee Siew Sebastian (Chairman)

Tan Lye Huat

Law Cheong Yan

REMUNERATION COMMITTEE

Chong Yee Siew Sebastian (Chairman)

Law Cheong Yan

Shabbir s/o Hakimuddin Hassanbhai

AUDIT AND RISK COMMITTEE

Tan Lye Huat (Chairman)

Law Cheong Yan

Shabbir s/o Hakimuddin Hassanbhai

EXECUTIVE OFFICER

Tan Kuan Thim (Chief Financial Officer)

SECRETARIES

Chan Wan Mei, ACIS

Lee Pay Lee, ACIS

REGISTERED OFFICE

21 Woodlands Close #09-12 Primz Bizhub Singapore 737854

SHARE REGISTRAR

Tricor Barbinder Share Registration Services

(A division of Tricor Singapore Pte Ltd)

80 Robinson Road #02-00 Singapore 068898

AUDITORS

BDO LLP

600 North Bridge Road #23-01 Parkview Square Singapore 188778

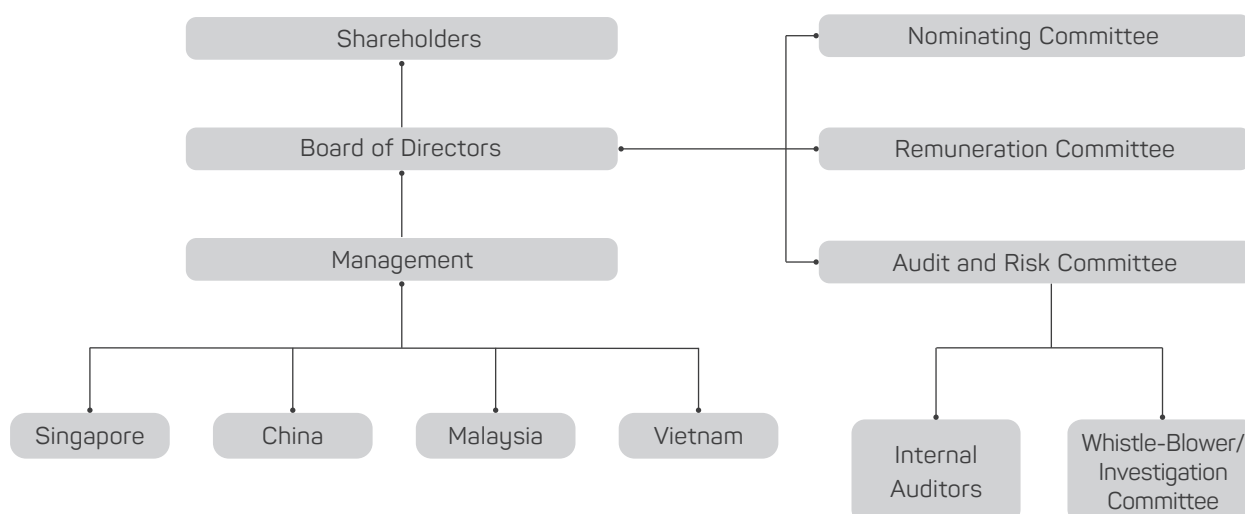
AUDIT PARTNER-IN-CHARGE

Khoo Gaik Suan

Date of appointment: Appointed since financial year ended
31 December 2018

CORPORATE GOVERNANCE REPORT

CORPORATE STRUCTURE



The board of directors (the “Board”) of Dynamic Colours Limited (the “Company”) continues to be committed to high standards of corporate conduct in conformity with the spirit of the Code of Corporate Governance 2 May 2012 (the “Code”). On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the “2018 Code”) and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report. The Board confirms that the principles and guidelines of the Code have been adhered to except for the following where the deviations and explanations have been provided:–

- (a) Guideline 3.1
- (b) Guideline 8.2
- (c) Guideline 8.3
- (d) Guideline 8.4
- (e) Guideline 11.4
- (f) Guideline 15.3
- (g) Guideline 15.4 and
- (h) Guideline 16.1

The Board and Management believe that commitment to good corporate governance is essential to the sustainability of the Company’s business and stakeholders’ value. The Board is pleased to report on the Company’s corporate governance processes and activities as required by the Code.

The following describes the Company’s corporate governance practices with reference to the Code.

CORPORATE GOVERNANCE REPORT

THE BOARD'S CONDUCT OF 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.

The Board of the Company comprises the following members:

Executive Directors

Mr Yeo Hock Leng (Executive Chairman and Group Managing Director)
Mdm Goh Seok Eng (Deputy Group Managing Director and Technical Director)

Independent Directors

Mr Law Cheong Yan (Lead Independent Director)
Mr Tan Lye Huat
Mr Chong Yee Siew Sebastian

Non-Executive and Non-Independent Director

Mr Shabbir s/o Hakimuddin Hassanbhai

Guidelines 1.1 and 1.2: Roles of the Board

Apart from its statutory duties and responsibilities, the Board performs the following functions:–

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- (c) review management performance;
- (d) set the Group's values and standards, and ensures that obligations to shareholders and others are understood and met;
- (e) appointment of key personnel;
- (f) review the financial performance of the Group and implementing policies relating to financial matters, which include risk management and internal control and compliance; and
- (g) assuming responsibility for corporate governance.

These functions are carried out either directly or through Board Committees such as the Nominating Committee, the Remuneration Committee and the Audit and Risk Committee.

The Board has taken decisions objectively in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Guideline 1.3: Delegation of Authority to Board Committees

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

The Board delegates its nominating functions to the Nominating Committee, remuneration matters to the Remuneration Committee, and reviewing of financial statements, risks and controls to the Audit and Risk Committee.

Guideline 1.4: Meetings of Board and Board Committees

Formal Board Meetings are held at least four (4) times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when the circumstances require. The Company's Constitution allows a Board meeting to be conducted by way of tele-conference and video conference.

During the financial year, the Board held five (5) meetings and the attendance of each Director at every Board and Board committee meeting is as follows:–

2018 Meeting Attendance ⁽¹⁾	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Number of Meetings held	5	4	1	1
Number of Meetings attended:				
Yeo Hock Leng	5	N/A	N/A	N/A
Goh Seok Eng	5	N/A	N/A	N/A
Law Cheong Yan	5	4	1	1
Tan Lye Huat ⁽²⁾	5	4	1	1
Chong Yee Siew Sebastian ⁽³⁾	5	1	1	1
Shabbir s/o Hakimuddin Hassanbhai ⁽⁴⁾	5	3	N/A	N/A

Notes

- (1) Refers to meetings held/attended while each Director was in office.
- (2) Mr Tan Lye Huat attended the Remuneration Committee meeting as a member before his cessation on 23 April 2018.
- (3) Mr Chong Yee Siew Sebastian attended one (1) Audit and Risk Committee Meeting as a member before his cessation on 23 April 2018.
- (4) Mr Shabbir s/o Hakimuddin Hassanbhai was appointed as a member of Audit and Risk Committee and Remuneration Committee on 23 April 2018.
- (5) N/A: Not Applicable

Guideline 1.5: Internal Guidelines Require Approval from Board

The Company has adopted internal guidelines setting forth matters that require Board approval. Under these guidelines, new capital investment and divestments exceeding US\$1 million by any company within the Group require the approval of the Board. Other matters requiring the Board's decision include business strategy, budgets and quarterly, half-year and annual financial statements. Below the Board level, there is appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency.

CORPORATE GOVERNANCE REPORT

Guidelines 1.6 and 1.7: Director's Appointment and Training

A formal letter of appointment is sent to newly-appointed Director upon his/her appointment stating his/her duties and obligations as Director, time commitment from the new Director to meet the expectations of his/her role, and other relevant matters. All newly appointed Directors undergo an orientation program which includes management presentation on the Group's business and strategic plans and objectives, as well as site visits.

The Board recognises the importance of ongoing director education and the need for each Director to take personal responsibility for this process. To facilitate ongoing education:

- (a) All Directors are encouraged to keep each other updated on developments relevant to the Company's business, changes in laws and regulations and the like.
- (b) All Directors, in particular new and first time Directors, are encouraged to attend relevant courses, seminars, and talks on regulatory updates organised by regulatory bodies and professional institutions such as Singapore Institute of Directors and Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company has an approved budget for such on-going training for its Directors.

During the financial year 2018, certain Directors kept themselves abreast with regulatory changes; governance topics and other matters which assist them in their duties as Directors by attending courses or seminars conducted by Singapore Institute of Directors, SGX-ST, Australian Institute of Company Directors, Institute of Singapore Chartered Accountants as well as other business institutions, regulatory bodies and consulting firms. Details are as follows:-

Mr Law Cheong Yan, Mr Tan Lye Huat, Mr Chong Yee Siew Sebastian and Mr Shabbir s/o Hakimuddin Hassanbhai, attended the courses listed below with attendance hours totaling 67.5 hours:-

- ACRA-SGX-SID-Audit Committee Seminar 2018
- EY-AGM: from the shareholders' perspective/Tax risk management: considerations for the audit committee
- AICD-Issues of trust, culture, diversity and board composition
- AICD-Build your director career
- SID-Governance, Risk Management and Compliance (GRC) Preview
- SID-Singapore Governance and Transparency Index (SGTI) Launch 2018
- SID-Corporate Governance Code Briefing
- SID Directors Conference 2018
- EY-Are you ready for the tax challenges of FRS 115 and FRS 109/Gaining the edge in sustainability reporting
- SID-Launch of the Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition
- EY-Valuation and the Impairment Imperative
- SID-Leading from the Chair: What it takes to be Effective – SID Masterclass
- SID-AC Pit-Stop: The AC's Role in Crisis Management
- SID-Executive and Directors Remuneration
- ISCA-The Art and Science of Asking Questions: Get the Truth in the Shortest Time
- Deloitte CFO Forum-Transformation through Treasury Technology
- KPMG-Singapore Budget 2018 Briefing
- KPMG-Revised Singapore Corporate Governance Code
- EY-Getting your Accounting Right
- RHT-Impact of Amendments to Code of Corporate Governance

CORPORATE GOVERNANCE REPORT

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.

Guidelines 2.1, 2.2 and 2.3: Composition and Independent Element of the Board

The Board comprises six (6) Directors, four (4) of whom is non-executive and three (3) are independent. The Nominating Committee reviews the independence of each Independent Director and confirms that none of them has any 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 their independent business judgement with a view to the best interests of the Company. The Nominating Committee is of the view that the three (3) Independent Directors (who represent one-half of the Board) are independent as defined in the Code as well as being independent in character and judgment and no individual or small group of individuals dominates the Board's decision-making process. The Board concurs with the views of the Nominating Committee on the Independence of the three (3) Independent Directors.

Definition of Independent Director:

In order to be considered to be independent for purposes of corporate governance, a Director may not, other than in his or her capacity as a member of the Board of Directors, or any other board committee–

- (i) accept any consulting, advisory, or other compensatory fee from the Group; or
- (ii) be an affiliated person of the Group or any subsidiary thereof; or
- (iii) possess an interest in any other transaction for which disclosure would be required.

No person may be appointed to the Board if he/she is already holding more than four (4) other directorship appointments in any publicly listed company on the SGX or international stock exchanges if he is full-time employed or six (6) directorship appointments in any publicly listed company on the SGX or international stock exchanges if he/she does not hold any full-time employment.

Guidelines 2.4 and 2.5: Composition and size of the Board

The Nominating Committee reviews annually the independence declarations made by the Company's Independent Directors based on the criterion of independence under the guidelines provided in the Code. For the year under review, the Nominating Committee has ascertained the independence status of all three Independent Directors of the Company. The Board has also reviewed the number of years served by each Independent Director (Mr Chong Yee Siew Sebastian has served for 11 years period, Mr Tan Lye Huat has served for 7 years period and Mr Law Cheong Yan has served for 2 years period). As Mr Chong Yee Siew Sebastian has been serving beyond 9 years in the financial year 2018, the Nominating Committee together with Board (exclusive of Mr Chong Yee Siew Sebastian) performed a rigorous annual review on the independence of Mr Chong Yee Siew Sebastian, having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Director.

CORPORATE GOVERNANCE REPORT

The Board reviews annually, or when circumstances (such as the resignation of a director) require, the size and composition of the Board ensuring that the Board has the appropriate mix of expertise and experience. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making.

The qualifications and experiences of the Directors are found on pages 11 and 12 of this Annual Report.

Guidelines 2.6: Board Diversity

The Company has its Board Diversity Policy in place. The Nominating Committee undertakes an annual review of the Board's balance and diversity of skills, experience, gender and knowledge of the Company and is satisfied that the Board has, amongst its members, the relevant diversity of skills, experience, gender and knowledge of the Company. This can be seen on page 42 showing the "Key Information on Board of Directors."

When a Board position becomes vacant or additional Directors are required, the Nominating Committee will select and recommend candidates on the basis of their skills, experience and knowledge, taking into account the need for board diversity.

Guidelines 2.7 and 2.8: Non-Executive Directors

Directors are encouraged and given ample time to deliberate on all matters in Board meetings. The Non-Executive Directors constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The salient views and recommendations of Non-Executive Directors are minuted and where applicable are adopted. The Non-Executive Directors communicate amongst themselves by email or telephone on matters concerning the Company and the Non-Executive Directors have met without the presence of Executive Directors.

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.

Guidelines 3.1 and 3.3: Separate Role of Chairman and Chief Executive Officer ("CEO")

The Board has not adopted the recommendation of the Code that the Chairman and the CEO should in principle be separate persons. Mr Yeo Hock Leng is our Executive Chairman and Group Managing Director and was appointed to the Board since 2 July 1993. Given Mr Yeo's contribution to the success of the Company over the past twenty-five (25) years and the presence of a strong independent element on the Board, it is the view of the Board that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and no major decisions are made by an individual exercising any considerable concentration of power or influence. Furthermore, one-half of the Board is made up of Independent Directors and all the Board Committees are chaired by Independent Directors.

The Board has also appointed Mr Law Cheong Yan as the Lead Independent Director. Mr Law is a member of the Audit and Risk, the Remuneration as well as Nominating Committees. Mr Law is available to shareholders when they have concerns and contact through the normal channels of the Company has failed to resolve those concerns or for which the normal channels are inappropriate.

CORPORATE GOVERNANCE REPORT

The position of Lead Independent Director of the Company will be rotated annually after the annual general meeting ("AGM") of the Company. Mr Chong Yee Siew Sebastian will be appointed as the Lead Independent Director in place of Mr Law Cheong Yan at the conclusion of the forthcoming AGM scheduled to be held on 25 April 2019. The Company will update the shareholders and the public of its next Lead Independent Director via an announcement through SGXNET.

Guideline 3.2: Roles and Responsibilities of Chairman

The Group's Executive Chairman and Group Managing Director is Mr Yeo Hock Leng. Mr Yeo's role in the Board is to lead the Board in all Board matters; promote communication amongst Directors and between Directors and key management staff; to ensure and lead the Board in complying with the Code and all other statutory regulations or regulatory guidelines.

Guideline 3.4: Role of Lead Independent Director

The Lead Independent Director makes himself available to shareholders when they have concerns; but if contact through the normal channels of the Company has failed to resolve those concerns, or should the normal channels be inappropriate, he will also initiate at least one (1) meeting during the financial year with the other Independent Directors. Such meeting(s) are held without the presence of the other Directors. Where applicable, appropriate feedback will be made to the Executive Chairman and Group Managing Director.

BOARD MEMBERSHIP

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

Guideline 4.1: Nominating Committee ("NC") Membership

The current NC comprises the following 3 members, all of whom are Independent Directors:

- (a) Mr Chong Yee Siew Sebastian (Chairman);
- (b) Mr Tan Lye Huat; and
- (c) Mr Law Cheong Yan.

The Board has approved the written terms of reference of the NC. The main terms of reference are:-

- (a) be responsible for the re-nomination of the Company's Directors, having regard to the Director's contribution and performance;
- (b) determine annually whether or not a Director is independent, bearing in mind the guidelines set out in the Code (as the same may be amended or supplemented from time to time) and any other salient factors;
- (c) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (d) regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its current position and make recommendations to the Board with regard to any changes;

CORPORATE GOVERNANCE REPORT

- (e) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- (f) be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- (g) before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall consider candidates on merit and against objective criteria, taking care that appointees are able to devote sufficient time to the position; and
- (h) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.

Guidelines 4.2: Roles of NC

The NC shall also make recommendations to the Board concerning:-

- (a) the re-appointment of any non-executive director at the conclusion of his specified term of office having given due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- (b) the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Constitution having due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- (c) the review of board succession plans for the Executive Chairman and Group Managing Director and other Directors;
- (d) the review of training and professional development programs for the Board; and
- (e) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company.

All Directors are subject to the provisions of the Company's Constitution whereby one-third of the Directors for the time being are required to retire and subject themselves to re-election by shareholders at every AGM. A newly appointed Director must retire and submit himself for re-election at the AGM immediately following his appointment and thereafter, is subjected to the one-third rotation rule. Shareholders are provided with relevant information on the candidates for election or re-election.

The following Directors are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM.

- (a) Mr. Yeo Hock Leng
- (b) Mr. Chong Yee Siew Sebastian

CORPORATE GOVERNANCE REPORT

Please refer to pages 146 to 150 for information on the directors nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Rules of the SGX-ST.

The NC recommended that the Directors above be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered their overall contribution and performance.

Each member of the NC abstains from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Annually, the NC discusses with the Executive Chairman the issue of succession planning for himself as well as senior management. The Board is kept informed of such discussions.

Guideline 4.3: NC's Determination of Independent Director's Independence

Annually, all Independent Directors are to submit to the NC and Board for review and concurrence, written confirmations on whether they consider themselves to be independent as set forth in the Code. The Independent Directors have confirmed that they are independent and the same has been confirmed by the NC and the Board.

Guideline 4.4: Commitments of Directors Sitting on Multiple Boards

The Board has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The guidelines provide that each full-time Director should hold not more than six (6) listed company representations. All Directors are also required to submit to the NC details of other directorships held by them during the financial year as well as information on other major appointments including full-time employment. In such submission, they are required to confirm that they have sufficient time to pay attention to the affairs of the Company. Having reviewed the submissions, in respect of FY2018, the NC is of the view that the Directors are able to carry out their duties as Directors of the Company and each Director has discharged his/her duties adequately.

Guideline 4.5: Alternate Directors

The Company's Constitution provides for the appointment of alternate directors in Regulation 111. The Board has decided that it will, as stated in the Code, generally avoid approving the appointment of alternate directors and should any appointment be made, it will be for limited periods only.

Guideline 4.6: Process for Selection and Appointment of New Directors

Where a vacancy arises under any circumstances, 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, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

Generally, the NC will review annually the Board's composition and should the need arises to appoint replacement and/or new directors, it will review nominations from Board members. In its review, NC takes into account the relevant skill sets, qualifications, conflicts of interests and other commitments.

The NC will interview the nominees and recommend to the Board the most appropriate person to be invited to become a Director of the Company.

CORPORATE GOVERNANCE REPORT

Guideline 4.7: Key Information on Directors

Key information regarding Directors is as follows:

KEY INFORMATION ON BOARD OF DIRECTORS						
Name of Director	Directorship: (a) Date First Appointed (b) Date Last Elected	Board appointments whether executive or non-executive and whether considered to be independent on the Board of Dynamic Colours Limited	Board Committee as Chairman or Member	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments	Due for Re-election at next AGM
Mr Yeo Hock Leng	(a) 2 July 1993 (b) 21 April 2017	Executive and Non-Independent	Executive Chairman – Board Group Managing Director	Nil	Nil	Retirement pursuant to Regulation 106
Mdm Goh Seok Eng	(a) 2 July 1993 (b) 23 April 2018	Executive and Non-Independent	Deputy Group Managing Director and Technical Director	Nil	Nil	NA
Mr Law Cheong Yan FCA (Singapore), FCPA Australia	(a) 1 July 2017 (b) –	Non-Executive and Lead Independent	Member – Audit and Risk Committee, Remuneration Committee and Nominating Committee	Nil	Chief Financial Officer – Chip Eng Seng Corporation Ltd	NA
Mr Tan Lye Huat FCA (Singapore), FCCA, C Dir FloD	(a) 23 May 2011 (b) 23 April 2018	Non-Executive and Independent	Chairman – Audit and Risk Committee Member – Nominating Committee	Nil	Non-Executive and Independent Director: 1. SP Corporation Limited 2. Japan Foods Holding Ltd 3. Neo Group Limited 4. Nera Telecommunications Ltd	NA
Mr Chong Yee Siew Sebastian FCA (Singapore), FCPA Australia, MEc Syd, BAcc (Hon) Sing	(a) 24 Sep 2007 (b) 18 April 2016	Non-Executive and Independent	Chairman of Remuneration Committee and Nominating Committee	Nil	Managing Director, Financial Info Analysis Pte Ltd	Retirement pursuant to Regulation 106
Mr Shabbir s/o Hakimuddin Hassanbhai FCMI, ACCA	(a) 1 July 2017 (b) –	Non-Executive and Non-Independent	Member – Audit and Risk Committee and Remuneration Committee	Intraco Limited	Independent Director of Intraco Limited	NA

CORPORATE GOVERNANCE 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.

Guidelines 5.1 to 5.3: Formal Process and Performance Assessment

The NC has adopted a formal process for the evaluation of the performance of individual Director, Board Committees and the Board as a whole.

Evaluation Process

The assessment process involves and includes input from the Board members and individual Directors in self-evaluation and peer review, applying the performance criteria recommended by the NC and approved by the Board. Individual evaluations are aimed to assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Directors' inputs are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation. The Executive Chairman is also expected to act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Board Performance Criteria

The performance criteria for the Board evaluation are as follows:–

- Board skills set/competency
- Financial target and operating performance
- Board performance in relation to discharging its principal functions
- Board's relationship with the Executive Chairman and Group Managing Director
- Board Committees in relation to discharging their responsibilities set out in their respective terms of reference

Individual Director's Performance Criteria

The individual Director's performance criteria are categorised into five segments, namely:–

- Interactive skills
- Knowledge
- Director's duties
- Availability
- Overall contribution

CORPORATE GOVERNANCE REPORT

Executive Chairman and Group Managing Director Performance Criteria

The performance criteria for the Executive Chairman and Group Managing Director are as follows:-

- Vision and leadership
- Financial management
- Board relations
- Governance and risk management
- Relations with shareholders

The NC, without the engagement of an external facilitator, has performed the assessment for FY2018 and is of view that the performance of each individual Director and the Board as a whole were satisfactory. Although some of the Board members have multiple board representations and other work commitments, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

ACCESS TO INFORMATION

Principle 6: In order to fulfill 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.

Guidelines 6.1 and 6.2: Access to Information

To assist the Board in fulfilling its responsibilities, Management is required to provide the Board with complete, adequate and timely information. The Board should have separate and independent access to Management and Directors are entitled to request from Management and be provided with such additional information as needed to make informed decisions in a timely manner. Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, any material variance between the projections and actual results should also be disclosed and explained. In addition, Management is required to provide the Board with monthly financial and management reports.

Guidelines 6.3 and 6.4: Role of the Company Secretary

Directors have separate and independent access to the Company Secretary at all times. The Company Secretary's appointment and removal is a matter for the Board as a whole. Her role is defined in the appointment letter and covers both regulatory and procedural matters. The Company Secretary or her representative attended all scheduled FY2018 Board and Board Committees meetings.

Guideline 6.5: Board Access to Independent Professional Advice

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company subject to Board's approval.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

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.

Guideline 7.1: Remuneration Committee ("RC")

The current RC comprises the following three (3) members; of whom two (2) are Independent Directors ("ID"):

- (a) Mr Chong Yee Siew Sebastian, Chairman (ID);
- (b) Mr Law Cheong Yan (ID); and
- (c) Mr Shabbir Hakimuddin s/o Hassanbhai. (Appointed on 23 April 2018)

The Board has approved the written terms of reference of the RC. The main term of references are:–

- (a) recommend to the Board a framework of remuneration and the specific remuneration packages for each Director, the CEO (or executive of equivalent rank) if the CEO is not a director and each other Executive Officer. The recommendations of the Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the Committee;
- (b) in determining the remuneration policy for the Directors and Executive Officers of the Company, the Committee shall take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the level and mix of remuneration is appropriate to attract, retain and motivate the Directors and Executive Officers needed to run the Company successfully, such level of remuneration not being overly excessive; and
- (c) review what compensation commitments the Directors' and Executive Officers' contracts of service, if any, would entail in the event of early termination. The Committee should aim to be fair and avoid rewarding poor performance.

Guideline 7.2: Remuneration Framework

The RC reviews annually the remuneration of Directors and senior management executives. For the Executive Directors, their remuneration is stated in their service agreement and their compensation packages consist of salaries, bonuses, benefits-in-kind and annual profit-sharing incentive bonus that is dependent on the Group's performance. For the Non-Executive Directors, their fees comprise basic director fee and their respective appointment fees. For senior management staff, the remuneration components include salaries, allowances, bonuses and benefits-in-kinds.

Guideline 7.3: RC Access to advice on Remuneration Matters

The RC may from time to time obtain independent professional advice as it deems necessary in framing the remuneration of Directors. The expenses incurred from such advice shall be borne by the Company.

CORPORATE GOVERNANCE REPORT

Guideline 7.4: Fair and Reasonable Termination Terms

The RC has reviewed the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service and is satisfied that termination terms are fair and reasonable and are not overly generous.

LEVEL AND MIX OF REMUNERATION

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

Guidelines 8.1: Remuneration of Executive Directors

The Company sets remuneration packages which:

- (a) align interests of Executive Directors with those of shareholders;
- (b) link rewards to corporate and individual performance; and
- (c) are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group.

The performance-related elements of the Executive Directors are governed by their service agreements which since the listing of the Company on the SGX-ST on 23 November 2007 provided them with annual profit-sharing incentive bonus (the "Incentive Bonus") based on the consolidated net profit before income tax and minority interests (before the Incentive Bonus) of the Group (as reflected in the audited consolidated accounts of the Group) for the relevant financial year.

Guideline 8.2: Long Term Incentive Scheme

The service agreements of the Executive Directors include a profit-sharing scheme designed to incentivise them to achieve higher profits for the Company over the long term. The Company does not have a share reward or share option scheme for its Directors and key management personnel.

CORPORATE GOVERNANCE REPORT

Guideline 8.3: Remuneration of Non-Executive Directors

The fees of Non-Executive Directors for FY2018 were in accordance with the remuneration framework shown in the table below and amounted to S\$225,000 approved by shareholders at the last AGM.

The RC has assessed the adequacy and structure of remuneration of Non-Executive Directors and the Board is proposing for Shareholder approval at the forthcoming AGM, the same remuneration framework approved by Shareholders for FY2018 to apply in FY2019 as shown in the table below.

	Proposed for FY2019			FY2018		
	Annual Fees (S\$)		Meeting Allowance	Annual Fees (S\$)		Meeting Allowance
	Chairman	Member		Chairman	Member	
Board	45,000	33,000	NIL	45,000	33,000	NIL
Audit	20,000	12,000	NIL	20,000	12,000	NIL
Nominating	10,000	5,000	NIL	10,000	5,000	NIL
Remuneration	12,000	6,000	NIL	12,000	6,000	NIL
Lead Independent	N/A	5,000	NIL	N/A	5,000	NIL

If these fees are approved and there is no change to the Board and Committee membership, the total fees for FY2019 will amount to S\$225,000.

Directors' fees are only payable to Non-Executive Directors. The FY2018 fees and proposed fees for FY2019 are not payable to Executive Directors.

For the existing Independent and Non-Independent Non-Executive Directors, the Board believes that they were not and will not be over-compensated to the extent that their independence may be compromised.

The Company does not have any scheme which encourages its Non-Executive Directors to hold shares in the Company. The Board believes it is not necessary for Non-Executive Directors to hold shares in the Company so as to better align their interests with the interests of shareholders.

Guideline 8.4: Incentive Components

The Board has not introduced any contractual provisions to allow the Company to reclaim incentive components from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company. The Board believes that there are sufficient statutory and regulatory penalties in place to address such incidents.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policy, 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.

Guidelines 9.1 and 9.2: Remuneration of Directors

The remuneration of Non-Executive Directors has been detailed under Guideline 8.3 above.

No payment was made or granted to any Director, the Executive Chairman and Group Managing Director or the top five key management personnel in relation to termination and retirement benefits in FY2018.

The remuneration paid to the Directors for services rendered during FY2018 are as follows:-

Director	Remuneration (S\$'000)	Director's Fees	Salary & CPF	Bonus & Other Variable Performance Components*	Total
Yeo Hock Leng	524	–	75.9%	24.1%	100%
Goh Seok Eng	483	–	69.5%	30.5%	100%
Chong Yee Siew, Sebastian	59	100%	–	–	100%
Law Cheong Yan	61	100%	–	–	100%
Tan Lye Huat	60	100%	–	–	100%
Shabbir s/o Hakimuddin Hassanbhai	45	100%	–	–	100%
Total Remuneration (S\$'000)	1,232	225	733	274	1,232
	100%	18.3%	59.5%	22.2%	100%

* Variable Performance Components refers to profit sharing scheme per Service Agreement of which S\$52,704 relates to under-provision for FY2017 adjusted in FY2018.

CORPORATE GOVERNANCE REPORT

Guideline 9.3: Remuneration of Top Five Key Management Personnel

The table below sets out the remuneration received by the top five key management personnel of the Group during the financial year.

Remuneration Band	Key Management Personnel	Salary & CPF	Bonus & Other Variable Performance Components	Total
Below S\$250,000	Ong Wei Ming	93.0%	7.0%	100%
	Tan Kuan Thim	87.8%	12.2%	100%
	Sim Jian Jie	77.9%	22.1%	100%
	He Fong Wei	80.1%	19.9%	100%
	Xie Chunrong	78.7%	21.3%	100%
	Total Remuneration (S\$'000)	84.6% 424	15.4% 77	100% 501

No Director is involved in determining his own remuneration. The remunerations of the Non-Executive and Non-Independent as well as Independent Directors are in the form of a fixed fee, and subject to approval at the AGM.

Guideline 9.4: Employee Related to Directors/CEO

For FY2018, the remuneration of an employee who is an immediate family member of a Director or the CEO whose remuneration exceeds S\$50,000 during the year is as follows:

Remuneration Band	Immediate Family Member of Director	Relationship with Director	Designation
Below S\$100,000	Grace Yeo Jia Lin	Daughter of Mr Yeo Hock Leng and Mdm Goh Seok Eng	Deputy General Manager

Guideline 9.5: Employee Share Scheme

Employee Share Option Scheme

The Company does not currently have any employee share reward or share option scheme.

CORPORATE GOVERNANCE REPORT

Guideline 9.6: Remuneration and Performance

The Company's remuneration framework for its Executive Directors is stated in "Guidelines 8.1: Remuneration of Executive Directors" found on page 46 of this Annual Report.

For key management personnel, in addition to their monthly salary, they also receive variable performance bonus. The performance bonus amount is dependent on their individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole.

As explained in "Guideline 8.2: Long Term Incentive Scheme" on page 46 of this Annual Report, apart from the graduated increases in the profit-sharing percentages for Executive Directors, the Company does not have any long-term incentive scheme for linking remuneration and performance.

ACCOUNTABILITY AND AUDIT

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

Guideline 10.1: Accountability for Accurate Information

In discharging its responsibility of providing accurate relevant information on a timely basis, the Board ensures that the Group's audited financial statements and half-yearly and full year announcements of the Group's results provide a balanced and understandable assessment of the Group's performance, position and prospects and the results are released to shareholders and other stakeholders in a timely manner.

The quarterly, half-yearly and full year financial statements are reviewed for adoption at the quarterly meetings of the Audit and Risk Committee and the Board. Any material variances between the actual results and projections/previous periods are investigated and explained.

On a monthly basis, the CEO and CFO issue a representation letter to the Audit and Risk Committee on matters requiring disclosure under Chapter 7 of the SGX-ST Listing Manual. This representation furnishes an overall representation to the Audit and Risk Committee and the Board confirming, inter alia, that the financial processes and controls, and the integrity of the Group's financial statements are in place, highlighting material financial risks and impacts and providing updates on significant financial issues of the Group. In accordance with SGX-ST's requirements, the Board issued negative assurance statements in its half-yearly financial results announcements confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Guideline 10.2: Compliance with Legislative and Regulatory Requirements

During the year, the Board reviewed legislative and regulatory compliance reports from Management to ensure compliance with the Group's policies, practices, and procedures and relevant legislative and regulatory requirements. The CEO and CFO provided assurance to the Board in a specific template on the integrity of the financial statements for the Company and its subsidiaries for FY2018. The Company received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

Guideline 10.3: Management Accounts

The Management updated the Board regularly on the Group's business activities and financial performance through providing management accounts on a quarterly basis for review at quarterly Audit and Risk Committee meeting. Such reports compared the Group's actual performance against the approved budgets and the results of the previous year and where appropriate, against forecast. The Management also highlighted major issues that are relevant to the Group's performance at the Board meetings in order for the Board to make balanced and informed assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guideline 11.1: Design, Implementation and Monitoring

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The Audit and Risk Committee oversees and ensures that such system has been appropriately implemented and monitored.

During FY2018, the Audit and Risk Committee assisted the Board to oversee Management in the design, implementation and monitoring of the risk management and internal control systems and the Audit and Risk Committee reported to the Board on critical risk issues, material matters, findings and recommendations pertaining to risk management.

Risk Management

Since FY2014, the Group implemented an Enterprise Risk Management ("ERM") framework to monitor its risk management capabilities. A total of 22 risks have been identified and classified under 3 main categories, namely business and strategic risks, financial risks and operational risks; of which compliance risks and information technology risks are subsets of the latter category. However, only the 10 are highlighted under the Key Risks Profile. The Group adopts a 3-dimensional Risk Evaluation Model risks to assess on the exposure, designed treatment plan and remedial action. Risk types are assigned with risk exposure rating based on the likelihood and consequence of each risk identified. The risk exposure rating determines the extent of risk exposure and the treatment plan. The Group's Risk Management Framework's focus is on building a culture where the Group mitigates its risk exposure by calibrating risks to acceptable levels while achieving the Group's business plans and goals.

Risk Management Principles

The risk management system has been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the Audit and Risk Committee will review and report to the Board on the Group's risk profile, evaluate results and control measures to mitigate or transfer identified potential risks so as to provide assurance to itself and the Board that the process is operating effectively as planned.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. A self-assessment process, conducted regularly by Management, was introduced to ensure that the Group's risk management activities are satisfactory.

CORPORATE GOVERNANCE REPORT

Risks that affect the achievement of the business objectives and financial performance of the Group over a short-to-medium term are summarised in the Group risks register. A review of risk register with key management personnel were conducted on key risks to the respective entity based on current controls in place, or termed residual risks. Risks identified are rated in terms of likelihood and impact, entailing the tolerable exposures as well as those requiring close attention. Risk matrix tables summarized the top risks to the Group, which were derived through the Risk Rating and discussion with the key management personnel of the respective entities.

Risk Tolerance

The Group has put in place three risk tolerance guiding principles serve to determine the nature and extent of the significant risks, which the Group is willing to take in achieving its strategic objectives.

These principles are:

1. Risk taken should be carefully evaluated, commensurate with rewards and in line with the Group's strategic objectives.
2. Risk arising from a single area of operation, investment or undertaking should not be so huge as to endanger the entire Group.
3. Risk arising from safety breaches or lapses, non-compliance with laws and regulations, fraud, bribery and corruption, are not acceptable.

The Group adopts a balanced approach to risk management. We recognize that not all risks can be eliminated, and we will only undertake appropriate and well considered risks to optimise returns for the Group.

We remain vigilant against emerging threats that may affect our different businesses. Through close collaboration with stakeholders, we will continue to review our risk management system to ensure that it remains adequate and effective.

The CEO, the COO and the CFO are responsible in implementing the Company's strategy, strengthening the Group's risk management culture, ensuring the overall framework of risk management is comprehensive and responsive to changes in the business, and managing the internal audit function. They regularly review the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts. The CEO, the COO and the CFO, in turn, place reliance on their business unit teams to monitor and manage operational risks on an ongoing basis, and to identify emerging risks.

Our ERM system is designed to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded, the risks facing the business are being assessed and all information that may be required to be disclosed is reported to the Board through the Audit and Risk Committee. We have reviewed the current ERM framework and are of the view that it remains appropriate for the financial year ended 31 December 2018.

The internal audit function is outsourced to UHY Lee Seng Chan & Co. which provides independent checks on operational issues and risk controls, and reports directly to the ARC.

CORPORATE GOVERNANCE REPORT

No Threat to Going Concern

After making due inquiry, we are satisfied that as on 31 December 2018, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

Risk Matrix Table

IMPACT	Extreme					
	High		* Tax	* Business Continuity * Customer * Strategy	* Competition * Relocation	
	Moderate			* Price * Human Resource	* Political, Regulatory & Industry * Foreign Exchange	
	Low					
	Negligible					
		Rare	Unlikely	Possible	Likely	Certain
LIKELIHOOD						

Risk Exposure and Appetite Table

Risk Level	Risk Appetite	Action requirement
Extreme	Not Acceptable	Immediate action required
High	Senior management attention	Management responsibility specified
Medium	Tolerable	Treatment plan to be developed
Low	Acceptable	Ongoing monitoring and review
Negligible	Acceptable	Managed by routine process and procedures

CORPORATE GOVERNANCE REPORT

Key Risk Profile 2018

The key risks that have been identified are closely monitored on our risk landscape in light of the changing business environment.

Business and Strategic Risk

Business strategy risks involves a process of identifying, assessing and managing risks and uncertainties factors that could impede the Group's ability to achieve its strategy objectives, such as customer demand, revenue attainment, macro-economic conditions, competition and regulatory environment. They are normally managed by the respective business units in the Group in their pursuit of growth and meeting its earnings target.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Competition Risk - Relatively low barriers to entry into the industry and the countries where the Group operates may create stiff competition that affects its revenue performance. - Overly reliance on few key customers may be a disadvantage and could be severely impacted should the major customers pull out their orders. - Changes in the design of customers' product to more compact size may adversely impact demand on resins.	- The Group strives to sustain its competitiveness through quality product delivery and differentiation in its service delivery to customers. - The Group monitors changes in market and customer development and strive to broaden its customer base in the countries where it operates. - The Group maintains a lean organisation structure which is responsive and easily adaptable to changing market conditions and business environment.
Business Continuity Risk - Business continuity is affected by market driven forces, evolving competitive landscape, changing customer demands disruptive innovation and relocation plans. - The Group remains vulnerable to a number of external factors including uncertainties in the global economy, implications from geopolitical developments on globalization, threats of disruptive technology and governmental policies. - Any significant changes in the macroeconomic factors may have an impact on the continuity and direction of the business as a whole.	- The Group operates its business in different region to reduce its vulnerability to risk of market concentration. - The Group aims at extending its business boundaries beyond countries where it currently has presence to grow other markets and take advantage of globalization. - The Group continues to develop its market share in each of the country and identify opportunities to share cross-border commercial arrangements so as to shift business benefit as they arise.

CORPORATE GOVERNANCE REPORT

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Customer Risk - Risks associated with loss of customers through delivery performance. Possible causes are uncompetitive pricing, unsatisfactory product quality, inadequate service delivery or extended delivery lead times. - The Group may face loss of business account or product switch by customers as risks resulting from heavily reliance on relatively few key customers. - Any significant changes in the modus operandi of the key customers such as product model discontinuation or market performance of its product, will have a significant impact on the Group's operations and performance.	- The Group continues to maintain sound relationship and good communication with its customers through regular and personalized interactions as well as providing value-added services. - The Group initiate improvement efforts via regular communication and feedbacks from the Customer Satisfaction Survey exercises conducted. - The Group monitors the market development of key customers and explore new customers/markets to mitigate through diluting the effect of concentration on key customers.
Strategy Risk - The risk of lacking in a clear business strategy to be able to optimise existing businesses activities within the current as well as prolonged environments both during normal and challenging times. - The ability to react in time to any perceived business risks and opportunities so as to be able to mitigate and capitalize respectively on the situations. - New investments and expansion plans involving financial commitment for new business set up, dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations.	- The Group builds on a regular process performed by Management for identifying, assessing and managing risks and uncertainties; backed by experiences and scenarios that could impede the organization's ability to achieve its business strategy. - The Group seek to increase but limit communication of such strategy to key management staff only. - New investment proposal is evaluated diligently to ensure its synergy with the corporate and investment objectives with relevant risk factors being considered.
Political, Regulatory and Industry Risks - Risk arising from uncertainty with political conditions such as changes in government policies, laws and regulations in the countries where the Group operates may adversely affect the Group's performance or business conduciveness. - The Group may be exposed to fluctuations as well as supply and demand cycles of the commodities and petrochemical industries. - Various government policies such as those pertaining to environmental concerns may impact the business plan and profitability of the Group negatively.	- The Group monitors changes in political and industry conditions in countries where it operates and keeps itself updated on changes of regulations by the authorities through news development and confirmation from local professional advisors. - A close watch on the fluctuation of related commodities are in place to ensure better cost management. - Locals are recruited to manage the respective business/operating units so as to better understand and ensure compliance, as well as timely update to the head office on any material changes in political, regulatory and/or industry developments.

CORPORATE GOVERNANCE REPORT

Financial Risks

Financial risks arise from volatility in the underlying financial market and include factors such as operational liquidity, equity prices, credit risks, interest rates, tax risk and currency risk.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Tax Risk - The Group is exposed to differing tax interpretations or changes at short notice whenever there are new budget announcement or new government comes onboard. - There are risks associated with transfer pricing compliance with all the countries where the Group's business units operate in. - Tax regime changes rapidly in some countries where system changes to meet compliance may be an issue.	- The Group monitors changes in tax laws in different countries on a periodic basis and update through continued learnings. - The Group engages tax consultants to review for regional transfer pricing compliance. - Dedicated staff are put in place to monitor tax provisions made as well as system changes to ensure adherence to new regime.
Price Risk - Most commodity products have high price variability and volatility much in tandem with trends on crude oil price, commodities and other petrochemical materials, which may create uncertainties on the Group's performance. - For some countries, the environmental concerns associated with some other raw materials such as additives and pigments may also posed challenges to the price now and in the future. - With globalization and other governmental plans, the transportation costs associated with the shifting of procurement focus and production activities to be carried out may affect the bottom-line of the Group.	- This is an inherent risk that the Group cannot avoid; but the Group keeps itself abreast of developments in global markets and key price indicators to mitigate the risks. - In times of acceptable material prices, the Group may apply bulk purchase strategy to capitalize on future price gain. However, this strategy is managed together with costs associated with storage, such as holding costs and insurance costs. - The Group works closely with principal customers to counteract prevailing intense price competition so as to develop a market-equilibrium alongside value-added services so as to also benefit customers.

CORPORATE GOVERNANCE REPORT

Operational Risks

Operational risk refers to the risk of a change in value of business that caused by persons, processes, products, information technology and practices in the business activities, which does not operate as designed or planned.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Relocation Risk - The Group is exposed to growing awareness for a sustainable, ecological and sound environment to live in raise the sensitivity to manufacturing emission especially with increasing inhabitants, that has altered its overseas business landscape. - Relocation for Suzhou China became more apparent and may cause several impacts such as capital outflow, sourcing strategic location, loss of experienced staff, production downtime, and other restructuring costs.	- Standard operating procedures is in place to eliminate production of resins with strong smell, install and implement waste treatment facilities. - The management needs to put up a business plan when more definite timelines are made available. There are several business options; but the general idea would be to capitalize on existing resources and capacities to optimize the existing Suzhou clientele as much as possible.
Human Resource Risk - The Group depends on the services of qualified and skilled personnel for business nature. - Succession plan execution remains a challenge for key positions given the lean structure of the Group. - The rising compensation and benefit expectation in the employee market also add on to the challenges with the talent attraction and retention strategies for the Group.	- The Group provides a safe and healthy working environment as well as appropriate on-job training and career development opportunities to nurture and retained its current employees. - Other avenues such as outsourcing and/or recruitment via labour supply agency or recruitment firm for selected key positions. - The Group considers offer of competitive compensation and benefit packages based on relevant qualifications and experiences to attract; and job performance and pre-determined key performance indicators to retain.
Foreign Exchange Risk - The Group revenue is primarily denominated is USD. Depreciation of USD and/or strengthening of domestic currency may result in exchange losses. - Appreciation of local currency against USD leads to an increase in production costs. - Risk of under-estimation of conversion rates might mislead in quotation price to below actual cost.	- Billing to and collections from customers are to be in USD whenever possible. - Maximise natural hedging with majority of cost of sales in materials are procured in USD. - Routine monitoring of exchange rate movements and take up hedging positions as needed as well as to maintain minimum cash holding level in currency other than USD.

CORPORATE GOVERNANCE REPORT

Internal Controls

A conventional internal control system has been implemented to enhance the Group's internal control function to address the financial, operational, compliance and information technology risks. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and financial information used within the business and for publication is reliable.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

Staff/Director Securities Dealing Rules & Procedures

All heads of departments and Directors are strictly prohibited from dealing in the shares of the Company by taking advantage of insider information. They are advised not to trade in the shares of the Company on short term consideration. Further, they are not permitted to trade during certain periods of the financial year ("black-out periods"). The black-out periods are one (1) month prior to the announcement of the Company's financial statements for the first six (6) months of its financial year and one (1) month prior to the announcement of the Company's full year financial statements and ending on the day of the announcements. Prior to their trading of shares of the Company, such employees and Directors have to seek written approval from the Executive Chairman and Group Managing Director and the Board of Directors respectively. In their application, they have to confirm that they are aware of their legal and regulatory obligations regarding (i) timely disclosure of their transaction, if applicable; (ii) obligations under the Singapore Code on Take-Overs and Mergers; (iii) prohibition during the black-out periods; and (iv) insider trading rules.

Guideline 11.2: Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board acknowledges its responsibility for the Group's internal controls but recognises that no cost-effective control system will entirely eliminate the risk of misstatement or loss. Based on the internal controls established and maintained by the Group, the work performed by the Internal Auditors, understanding by the External Auditors of internal controls relevant to their statutory audit in order to design audit procedures, supervision by Management and in the absence of any evidence to the contrary, the Board, with the concurrence of the Audit and Risk Committee, are of the opinion that the Group's internal controls are adequate in addressing business and strategic, financial, operational, compliance and information technology risks as at 31 December 2018.

During the year, the Audit and Risk Committee reviewed reports submitted by the Internal Auditors relating to the adequacy and effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology and existing risk management self-assessments by Management (collectively known as "internal controls"). Such reviews include discussions and follow-ups with Internal Auditors on their salient audit findings.

As part of the Group's continuous efforts to ensure that its risk management and internal control systems are adequate and effective, the Company is not only working towards strengthening the existing policies by conducting regular reviews to ensure that they remain relevant but is also implementing new ones where necessary so as to meet challenges brought on by a changing business environment.

CORPORATE GOVERNANCE REPORT

Guideline 11.3: Board's Comment on Adequacy and Effectiveness of Internal Controls

The Audit and Risk Committee and the Board have received assurance from the CEO and CFO that:

- (a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risk in the Group in its present business environment including material financial, operational, compliance and information technology risks.

Based on the framework of risk management controls elaborated in Guideline 11.1 above and internal controls established and maintained in the Group, the work performed by the internal and external auditors, the written assurance from the CEO and CFO that the financial records have been properly maintained, the Board is of the view that the Group's risk management and internal control systems are effective.

The Board, with the concurrence of the Audit and Risk Committee, is satisfied that there are adequate internal controls in place to address the risks relating to financial, operational, compliance and information technology for the financial year ended 31 December 2018.

Guideline 11.4: Risk Committee

The responsibility of overseeing the Group's risk management framework and policies is undertaken by the Audit and Risk Committee with the assistance of the internal auditors and other assurance activities. Having considered the Group's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. In February 2015, the Audit Committee was renamed as Audit and Risk Committee. The ARC reviews key risk categories on a bi-annually basis to ensure that the activities of the business remain within the Group's risk appetite.

AUDIT AND RISK COMMITTEE ("ARC")

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

Guideline 12.1: ARC Membership

The ARC comprises the following three (3) Directors, of whom two (2) are Independent Directors ("ID"):

- (a) Mr Tan Lye Huat, Chairman (ID);
- (b) Mr Law Cheong Yan (ID); and
- (c) Mr Shabbir s/o Hakimuddin Hassanbhai (Appointed on 23 April 2018)

During the year, the ARC held four (4) scheduled meetings, which were attended by all members.

CORPORATE GOVERNANCE REPORT

Guideline 12.2: Expertise of ARC Members

The ARC members bring with them invaluable professional expertise in the recommended accounting and/or related financial management domains. The Board has ensured that they are appropriately qualified to discharge their responsibilities.

Guideline 12.3 and 12.4: Roles, Responsibilities and Authorities of ARC

The ARC has explicit authority to investigate any matter within its Terms of Reference. It has full access to and has the full co-operation of the Company's Management. It has full discretion to invite any Director or executive officer to attend its meetings. In addition, the ARC has independent access to the Internal and External Auditors. The ARC has reasonable resources to enable it to discharge its functions properly.

The ARC is guided by its Terms of Reference which stipulate that its principal functions include:

- (a) reviewing and evaluating financial and operating results and accounting policies;
- (b) reviewing the annual audit plans (Internal and External), their evaluation of the system of internal accounting controls and their audit reports;
- (c) reviewing the overall system of internal control and risk management system including their adequacy and effectiveness;
- (d) reviewing the adequacy of the outsourced internal audit function;
- (e) reviewing the Group's financial results and the announcements before submission to the Board for approval;
- (f) reviewing the assistance given by the Management to External Auditors;
- (g) considering and recommending the appointment/re-appointment of External Auditors and their remuneration;
- (h) reviewing interested person transactions;
- (i) reviewing acquisitions and realisations transactions; and
- (j) other regulatory compliance matters as required by law or the Code.

Minutes of the ARC meetings are routinely tabled at Board meetings for information. During FY2018, the ARC reviewed and if appropriate, approved all disclosable interested person transactions in accordance with the Shareholders' Mandate for Interested Person Transactions. Directors who are interested in the transaction had recused themselves from the deliberation and approval process in both the ARC and the Board deliberation. On a half-yearly basis, the ARC also reviewed the financial results announcements of the Company and the Group before their submission to the Board for approval.

CORPORATE GOVERNANCE REPORT

The ARC had reviewed the external auditor's audit plan for FY2018 and had agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In ARC's review of the financial statements of the Group for FY2018, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARC also reviewed and addressed, amongst other matters, the key audit matter ("KAM") as reported by the external auditors for FY2018:-

- Impairment assessment on trade receivables due from a subsidiary, Huiye (Vietnam) Plastic Co., Ltd. ("HVP")

The ARC acknowledges that under the new SFRS(I) 9, such an assessment is essential to comply with the new standards and that the amount is a significant trade receivable balance as at 31 December 2018.

The ARC reviewed information, including key data sources and assumptions provided by Management to the external auditors in relation to the bases used as well as the specific trade receivable to determine the expected credit loss ("ECL"). The ARC advised Management to remain vigilant on this potential impairment consideration and they will continue to maintain a close supervision on the cashflow management within the Group and ensure HVP's commitment to settle.

The impairment assessment on the trade receivable from our subsidiary HVP, being a key area of focus by the external auditors, is also a KAM in their audit report for the financial year ended 31 December 2018. This has also been duly disclosed under Notes 3.2(ii) and 29.1 to the financial statements under pages 102 and 129 of the Annual Report.

Based on the facts presented and reviewed, the ARC concurs with the external auditor's issuance of KAM as well as the management's assessment that the ECL is determined to be insignificant for the financial year ended 31 December 2018.

The Management reported to and discussed with the ARC on changes of the accounting standards and accounting issues which have a direct impact on the financial statements. They had also been invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

Following the review, the ARC is satisfied that all aforesaid matters have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 29 March 2019 approved the financial statements.

The ARC has explicit authority to investigate any matters including whistle-blowing within its Terms of Reference. All whistle-blower complaints were reviewed by the ARC to ensure independent and thorough investigation and adequate follow-up. The Company has maintained a whistle-blowing register to record all whistle-blowing incidents. The contents including "nil" returns in the register is reviewed by the ARC at its quarterly meetings.

The ARC has full access to, and has had the full co-operation of the Management and staff. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

Guideline 12.5: Meeting with External and Internal Auditors

During the year, the Company's Internal and External Auditors were invited to attend the ARC meetings and make presentations as appropriate. They also met the ARC separately without the presence of Management to review matters that might be raised privately.

CORPORATE GOVERNANCE REPORT

Guideline 12.6: Review of External Auditors' Independence

The ARC reviewed the non-audit services provided by the External Auditors and its member firms as part of the ARC's assessment of the External Auditors' independence. During the financial year, the External Auditors and its member firms provided tax advisory, sustainability reporting and transfer pricing services to the Group. A breakdown of the fees recorded as expenses incurred for audit and non-audit services, for audit and non-audit services to the External Auditors and its member firms, which can be found in Note 21 to the Financial Statements in page 119 of this Annual Report, are analysed in the table below:-

FY2018	US\$	% of Total Fees
Total Audit Fees	90,529	80
Total Non-audit Fees	22,916	20
Total Fees	113,445	100

The ARC reviewed and is of the view that the non-audit services in tax advisory, sustainability reporting and transfer pricing provided by the BDO LLP and its member firms in FY2018 will not prejudice the objectivity and independence of the external auditors. The ARC had recommended and the Board had accepted proposing to shareholders, the reappointment of BDO LLP as the independent auditors for the Group in the ensuing year. Accordingly, the Company has complied with Listing Rule 1203 (5) in relation to the Company's appointment of auditing firms.

The Company has complied with Rule 712 and 715 of the SGX Listing Manual in relation to its auditing firms as Messrs. BDO LLP and BDO member firms has been appointed as the auditors of the Company, the Company's Singapore incorporated subsidiary and foreign-incorporated subsidiaries respectively.

Guideline 12.7: Whistle-Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has established and put in place a Whistle-Blowing Policy and Procedures to provide employees with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices, or raise concerns, in confidence, about possible improprieties in financial reporting, business transactions or other matters. The Group upholds very seriously the integrity and honesty of its employees at all times. Details of this policy, which is bilingual, have been disseminated and made available to all employees of the Company.

The whistle-blower can report to the ARC members via dedicated email (arc@dynamiccolours.com) or by mail and address to the ARC members directly and in confidence and his/her identity is protected from reprisals within the limits of the law. The Company treats all information received confidentially and protects the identity and the interest of all whistle-blowers. Anonymous reporting will also be attended to and anonymity honored. An Investigation Committee ("IC") had been formed and it comprise ARC Chairman/ARC member and one (1) independent manager as recommended by the CEO. All reports made/received shall be thoroughly investigated with great care and sensitivity by the IC with the objective of locating evidence that either substantiates or refutes the claims made by the whistle-blower. The ARC may enlist, at the expense of the Company, the assistance of appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action. The IC will put up Investigation Report to the CEO for his review and further action, if deemed required. The ARC and Management will also report quarterly at ARC meeting if there is any issue received by it and reports on the whistle-blowing cases for them to review if decisions taken have met compliance, and progress of investigation, if it remains outstanding.

CORPORATE GOVERNANCE REPORT

Investigation results are confidential and will not be disclosed or discussed with anyone, other than those with a legitimate need to know. The whistle-blowers may not be updated on the outcome of the investigations other than to receive confirmation that the matter have been dealt with by the ARC members.

The Company's Whistle-Blowing Policy allows employees to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith.

Whistle-blowing Committee ("WBC")

The WBC consists of ARC members and the key management staffs is empowered to:

- i. look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARC);
- ii. make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and
- iii. access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

The Whistle-Blowing Policy is reviewed by the ARC once every two years to assess the effectiveness of the processes in place and to ensure that the said policy is updated with any related changes in legal and regulatory requirements. The Whistle-Blowing Policy was reviewed by the ARC and approved by the Board in January 2018.

Guideline 12.8: Activities of ARC

The ARC discharged its duties under its Terms of Reference and as listed under Guideline 12.4 above. In addition to the activities undertaken to fulfill its responsibilities, the ARC kept abreast on changes to accounting standards, SGX-ST rules and other codes and regulations which could have an impact on the Group's business and financial statements through briefings and updates by the internal and external auditors, the Company Secretary and Management.

During the year, the ARC actively engaged with Management and Board on the various regulatory initiatives such as updates on the Financial Reporting Standards Review and the Audit Quality Initiative as well as the clarification with regards to the "Comply or Explain" regime under the 2018 Code.

In FY2018, members of ARC and the Board were also briefed by the Management on the adoption of the new SFRS(I) framework for the financial year ended 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition. These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 First-time adoption of Singapore Financial Reporting Standards (International), the Group and the Company have consistently applied the same accounting policies in its opening statements of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 32 to the financial statements.

CORPORATE GOVERNANCE REPORT

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure on the disclosure requirements in relation to SFRS(I) 9.

Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

There is no significant impact on revenue recognition for the Group when the new standard is effective.

Cumulative translation differences

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative foreign exchange reserve for all foreign operations to Nil at the date of transition, and reclassified the cumulative foreign exchange reserve as at 1 January 2017 determined in accordance with FRS to retained earnings. After that date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The ARC and the Board were provided with an impact analysis of SFRS(I)s on the Group's financial statements, summarised below:

<u>Standards</u>	<u>Financial Impact</u>
– SFRS(I) 9 <i>Financial Instruments</i> (effective from 1 January 2018)	No material impact
– SFRS(I) 15 <i>Revenue from Contracts with Customers</i> (effective from 1 January 2018)	No material impact
– SFRS(I) 16 <i>Leases</i> (only effective from 1 January 2019)	Not expected to have material impact

Guideline 12.9: Cooling-off Period for Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

INTERNAL AUDIT

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

Guideline 13.1: Internal Auditors

The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors ("IA"). The Group recognises and supports the fundamental principle of maintaining internal auditor independence. The Group outsourced its internal audit function to UHY Lee Seng Chan & Co. The IA has unrestricted access to all the Group's documents, records, properties and personnel, including access to the ARC. The IA's primary line of reporting is to the Chairman of the ARC.

Guideline 13.2: Adequacy of Resources

An annual audit plan which entails the review of the adequacy and effectiveness of the Group's material internal controls has been developed. The ARC is satisfied that the Group's internal audit function, as outsourced to UHY Lee Seng Chan & Co., is adequately resourced to perform the internal audit effectively for the Group.

CORPORATE GOVERNANCE REPORT

Guidelines 13.3 & 13.4: Internal Audit Function

The Group outsourced its internal audit function to UHY Lee Seng Chan & Co. which is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with the relevant qualifications and experience. Our engagement with the IA stipulates that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the ARC. The ARC is satisfied that the Group's internal audit function is adequately resourced to perform the job for the Group.

Guideline 13.5: Adequacy of Internal Audit Function

The ARC annual reviews the adequacy of the Internal Audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The ARC also reviews the IA reports and remedial actions implemented by the Management to address any internal control inadequacies identified. The ARC assesses the adequacy of the IA function through the review of the IA's audit plan and the quality of its reports and was satisfied that the internal audit function was adequate and effective.

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.

Guideline 14.1: Communication with Shareholders

In line with the continuous disclosure obligations under the Listing Rules of the SGX-ST, the Board will inform shareholders promptly of all major developments that may have material impact on the Group which would be likely to materially affect the price or value of the Company's shares.

Guideline 14.2: Participation by Shareholders

The Company strongly encourages and supports Shareholders participation at all of its general meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by the scrutineers at such general meetings.

Guideline 14.3: Proxies for Nominee Companies

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allows each shareholder to appoint up to two (2) proxies to attend shareholders' meetings.

CORPORATE GOVERNANCE REPORT

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.

Guidelines 15.1 and 15.2: Information to Shareholders

In line with the continuous disclosure obligations under the Listing Rules of the SGX-ST, the Board has and will continue to inform Shareholders promptly of all pertinent information. Such information is disclosed to Shareholders on a timely basis through SGXNET. All disclosures submitted to the SGX-ST on SGXNET are also made available on the Company's corporate website (<http://dynamiccolours.com/html/index.php>).

Guidelines 15.3 and 15.4: Dialogue with Shareholders

The Group has an Investor Relations Team ("IR Team") comprising the Executive Chairman and Group Managing Director, the Deputy Group Managing Director and Technical Director and the Chief Financial Officer. The IR Team, led by the Executive Chairman and Group Managing Director, is authorised by the Board to act as spokesperson for the Company. Shareholders may pose their queries to them through the Company's website (<http://www.dynamiccolours.com/html/index.php>). To-date, given the nature of the Company's business which has not materially changed since the Company's listing on the SGX-ST in November 2007, the Company has not solicited the views of Shareholders other than those expressed by them during its general meetings. Further during the year, the Company did not receive calls or emails requesting information from Shareholders.

Guideline 15.5: Dividend Policy

The Company has paid dividends to Shareholders every year since its listing on SGX-ST. While it does not have a formal dividend policy, the Board in considering dividend payments has and will take into account factors such as the Company's earnings, financial condition, capital requirements, business expansion plans and cash flow. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future. In the event that dividends are not paid, the Company will disclose their reasons accordingly.

CONDUCT OF SHAREHOLDER MEETINGS

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

Guideline 16.1: Absentia Voting

The Company has decided, for the time being, not to implement voting in absentia until security, integrity and other pertinent issues are satisfactorily resolved.

Guideline 16.2: Resolutions at General Meetings

The Board ensures that there are separate resolutions at general meetings on each distinct issue.

CORPORATE GOVERNANCE REPORT

Guideline 16.3: Attendees at General Meetings

At each general meeting, the Group CEO updates shareholders on the recent progress of the Company.

The Chairmen of the Board and its committees attend all general meetings to address issues raised by shareholders. The External Auditor is also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Guideline 16.4: Minutes of General Meetings

The minutes of general meetings as recorded by the Company Secretary include comments or queries from shareholders and responses from the Board. These minutes are made available to shareholders upon written request.

Guideline 16.5: Voting by Poll

All resolutions are voted by poll to reflect shareholders' shareholding interests and for greater transparency. The poll voting results and the proxy voting results are presented to the audience and subsequently filed with the SGX-ST after the conclusion of the general meetings.

Dealings In Securities

(Listing Manual Rule 1207(19))

The Group has adopted a policy with respect to dealings in securities by the Directors and executive officers of the Group. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in Company's shares during the periods commencing one (1) month before the announcement of the Group's annual or half-yearly results and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group. They are also discouraged from dealing in the Company's shares for short-term considerations. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct is modeled after the SGX-ST's best practices with respect to dealings in securities by the Directors and officers of the Group.

Material Contracts

(Listing Manual Rule 1207(8))

Save for the service agreements between the Company and the Executive Directors, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2018.

Interested Person Transactions

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. Directors of the Board are refrained from participation in board discussions and decision-making process on a particular agenda when they have conflicts of interest.

The Group confirms that there was no interested person transaction of more than S\$100,000 during the financial year under review.

DIRECTORS' STATEMENT

The Directors of Dynamic Colours Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018 and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 2018, and of 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:

Yeo Hock Leng
Goh Seok Eng
Law Cheong Yan
Tan Lye Huat
Chong Yee Siew Sebastian
Shabbir s/o Hakimuddin Hassanbhai

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 was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

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 shares 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:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company: (No. of ordinary shares)				
Yeo Hock Leng	27,839,496	27,839,496	20,760,684	20,760,684
Goh Seok Eng	20,760,684	20,760,684	27,839,496	27,839,496

By virtue of Section 7 of the Act, Mr Yeo Hock Leng and Ms Goh Seok Eng are deemed to have interests in all the related corporations of the Company as at the beginning and end of the financial year. Mr Yeo Hock Leng is deemed to be interested in the shares held by his wife, Ms Goh Seok Eng, and vice versa.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' shareholdings, the Directors' interests as at 21 January 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018.

5. Share options

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.

DIRECTORS' STATEMENT

6. Audit and Risk Committee

The members of the Audit and Risk Committee ("ARC") during the financial year and at the date of this statement are:

Tan Lye Huat (Chairman)	Independent Director
Law Cheong Yan	Lead Independent Director
Shabbir s/o Hakimuddin Hassanbhai	Non-Executive and Non-Independent Director

The ARC performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The ARC has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with Section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's internal and external auditor; and
- (f) the re-appointment of the external auditor of the Company.

Further details regarding the ARC are disclosed in the Corporate Governance Report.

The ARC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the ARC.

The ARC has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

DIRECTORS' STATEMENT

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Yeo Hock Leng

Director

Goh Seok Eng

Director

Singapore

29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DYNAMIC COLOURS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dynamic Colours Limited (the "Company") and its subsidiaries (the "Group") as set out on page 77 to 139, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group and the 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.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes of equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's 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 for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DYNAMIC COLOURS 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 Impairment assessment on trade receivables due from a subsidiary, Huiye (Vietnam) Plastic Co., Ltd. ("HVP")

Key Audit Matter

As at 31 December 2018, included in the Company's trade receivables is an amount due from HVP of US\$3,838,775, of which US\$3,662,525 was past due more than 90 days.

At the end of the reporting period, management has assessed and determined that there is a significant increase in credit risk on the trade receivables due from HVP and subsequently identified that the trade receivables is credit-impaired.

Management measured the expected credit loss ("ECL") on trade receivables due from HVP as the difference between the gross carrying amount and the present value of the estimated future cash flows based on evaluation of recovery options and credit loss scenarios. Based on management's assessment, the ECL is determined to be insignificant.

We focus on this area as a key audit matter due to significant judgement and estimates involved in evaluating the recovery options and credit loss scenarios to determine the ECL on trade receivables due from HVP.

Related Disclosures

Refer to Notes 2.9, 3.2(ii), 10 and 29.1 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- We evaluated management's assessment that the trade receivables due from HVP is credit-impaired due to a significant increase in credit risk.
- We held discussion with management to understand the recovery options and credit loss scenarios.
- We assessed the reasonableness of recovery options and credit loss scenarios, and checked information and data used in estimating the expected future cash flows to be derived from those credit loss scenarios.
- Assessed the adequacy and appropriateness of the related disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DYNAMIC COLOURS LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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

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

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

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DYNAMIC COLOURS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DYNAMIC COLOURS LIMITED

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 the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Khoo Gaik Suan.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
29 March 2019

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 US\$	Group 31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	Company 31 December 2017 US\$	1 January 2017 US\$
ASSETS							
Non-current assets							
Property, plant and equipment	4	14,747,438	15,587,715	16,417,545	2,153	-	-
Prepaid land lease payments	5	1,429,475	1,473,790	671,627	-	-	-
Intangible assets	6	68	3,576	7,081	-	-	-
Deferred tax assets	7	38,722	-	-	-	-	-
Investment in subsidiaries	8	-	-	-	7,949,511	7,299,511	9,534,111
Total non-current assets		16,215,703	17,065,081	17,096,253	7,951,664	7,299,511	9,534,111
Current assets							
Inventories	9	7,173,824	8,041,574	5,537,165	331,360	-	-
Trade and other receivables	10	6,872,898	7,232,663	8,051,074	14,662,141	15,662,220	18,028,472
Prepayments		86,948	95,715	133,987	3,311	4,647	30,802
Tax paid in advance		155,874	-	-	-	-	-
Cash and bank balances	11	6,830,400	9,215,350	8,977,217	2,995,556	4,445,222	3,236,705
Total current assets		21,119,944	24,585,302	22,699,443	17,992,368	20,112,089	21,295,979
Total assets		37,335,647	41,650,383	39,795,696	25,944,032	27,411,600	30,830,090
EQUITY AND LIABILITIES							
Equity							
Share capital	12	18,822,247	18,822,247	18,822,247	18,822,247	18,822,247	18,822,247
Reserves	13	2,079,499	2,065,452	1,831,918	151,827	151,827	151,827
Retained earnings		11,840,088	12,986,186	11,904,501	4,844,175	3,528,407	3,563,801
Total equity attributable to owners of the parent		32,741,834	33,873,885	32,558,666	23,818,249	22,502,481	22,537,875
Non-current liabilities							
Finance lease payable	14	14,523	27,860	39,081	-	-	-
Deferred tax liabilities	7	973,938	866,078	922,461	-	-	-
Total non-current liabilities		988,461	893,938	961,542	-	-	-
Current liabilities							
Trade and other payables	15	3,454,068	5,119,764	5,506,739	2,105,490	3,684,243	8,062,181
Bank borrowings	16	-	1,069,559	-	-	1,069,559	-
Finance lease payable	14	12,836	11,048	10,362	-	-	-
Derivative financial instruments	17	-	-	142,034	-	-	142,034
Current income tax payable		138,448	682,189	616,353	20,293	155,317	88,000
Total current liabilities		3,605,352	6,882,560	6,275,488	2,125,783	4,909,119	8,292,215
Total liabilities		4,593,813	7,776,498	7,237,030	2,125,783	4,909,119	8,292,215
Total equity and liabilities		37,335,647	41,650,383	39,795,696	25,944,032	27,411,600	30,830,090

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Revenue	18	40,816,725	44,210,635
Cost of sales		(35,318,909)	(36,820,625)
Gross profit		5,497,816	7,390,010
Other item of income			
Other income	19	494,518	294,732
Other items of expense			
Distribution expenses		(1,144,428)	(1,012,886)
Administrative expenses		(2,655,644)	(2,449,988)
Other operating expenses		(173,749)	(116,500)
Loss allowances on trade receivables		-	(87,524)
Finance income	20	27,020	130,353
Finance costs	20	(172,794)	(66,208)
Profit before tax	21	1,872,739	4,081,989
Income tax expense	22	(485,915)	(744,004)
Profit for the financial year		1,386,824	3,337,985
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(140,226)	233,534
Income tax relating to items that may be reclassified subsequently		-	-
Other comprehensive income for the financial year, net of tax		(140,226)	233,534
Total comprehensive income for the financial year		1,246,598	3,571,519
Profit for the year attributable to:			
Owners of the parent		1,386,824	3,337,985
Total comprehensive income attributable to:			
Owners of the parent		1,246,598	3,571,519
Earnings per share from attributable to owners of the parent (cents)			
Basic and diluted	23	0.66	1.59

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US\$	Foreign exchange reserve* US\$	Statutory reserve* US\$	Share-based payment reserve* US\$	Retained earnings US\$	Total equity attributable to owners of the parent US\$
Group							
Balance as at 1 January 2018 (As previously reported under FRSs)		18,822,247	866,687	1,680,091	151,827	12,353,033	33,873,885
Effect of transition to SFRS(I)s	32	-	(633,153)	-	-	633,153	-
Balance as at 1 January 2018		18,822,247	233,534	1,680,091	151,827	12,986,186	33,873,885
Profit for the financial year		-	-	-	-	1,386,824	1,386,824
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		-	(140,226)	-	-	-	(140,226)
Total comprehensive income for the financial year		-	(140,226)	-	-	1,386,824	1,246,598
Transactions with owners, recognised directly in equity							
Dividends	24	-	-	-	-	(2,378,649)	(2,378,649)
Transfer to statutory reserve		-	-	154,273	-	(154,273)	-
Balance as at 31 December 2018		<u>18,822,247</u>	<u>93,308</u>	<u>1,834,364</u>	<u>151,827</u>	<u>11,840,088</u>	<u>32,741,834</u>

* These reserve comprised the reserves of US\$2,079,499 (31 December 2017: US\$2,065,452) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US\$	Foreign exchange reserve* US\$	Statutory reserve* US\$	Share-based payment reserve* US\$	Retained earnings US\$	Total equity attributable to owners of the parent US\$
Group							
Balance as at 1 January 2017 (As previously reported under FRSs)		18,822,247	633,153	1,680,091	151,827	11,271,348	32,558,666
Effect of transition to SFRS(I)s	32	—	(633,153)	—	—	633,153	—
Balance as at 1 January 2017		18,822,247	—	1,680,091	151,827	11,904,501	32,558,666
Profit for the financial year		—	—	—	—	3,337,985	3,337,985
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		—	233,534	—	—	—	233,534
Total comprehensive income for the financial year		—	233,534	—	—	3,337,985	3,571,519
Transactions with owners, recognised directly in equity							
Dividends	24	—	—	—	—	(2,256,300)	(2,256,300)
Balance as at 31 December 2017		<u>18,822,247</u>	<u>233,534</u>	<u>1,680,091</u>	<u>151,827</u>	<u>12,986,186</u>	<u>33,873,885</u>

* These reserve comprised the reserves of US\$2,065,452 (1 January 2017: US\$1,831,918) in the consolidated statement of financial position.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US\$	Share-based payment reserve US\$	Retained earnings US\$	Total equity US\$
Company					
Balance as at 1 January 2018		18,822,247	151,827	3,528,407	22,502,481
Profit for the financial year, representing total comprehensive income for the financial year		-	-	3,694,417	3,694,417
Dividends, representing transactions with owners, recognised directly in equity	24	-	-	(2,378,649)	(2,378,649)
Balance as at 31 December 2018		<u>18,822,247</u>	<u>151,827</u>	<u>4,844,175</u>	<u>23,818,249</u>
Balance as at 1 January 2017		18,822,247	151,827	3,563,801	22,537,875
Profit for the financial year, representing total comprehensive income for the financial year		-	-	2,220,906	2,220,906
Dividends, representing transactions with owners, recognised directly in equity	24	-	-	(2,256,300)	(2,256,300)
Balance as at 31 December 2017		<u>18,822,247</u>	<u>151,827</u>	<u>3,528,407</u>	<u>22,502,481</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Cash flows from operating activities			
Profit before tax		1,872,739	4,081,989
Adjustments for:			
Write back for inventory obsolescence		-	(11,626)
Depreciation of property, plant and equipment	4	1,355,004	1,556,034
Amortisation of prepaid land lease payments	5	39,207	45,080
Amortisation of intangible assets	6	3,508	3,505
Bad debt written off		-	87,524
Interest expense	20	87,824	66,208
Interest income	20	(27,020)	(24,124)
Gain on disposal of property, plant and equipment		(1,052)	(6,765)
Property, plant and equipment written off		5,368	175
Unrealised foreign exchange loss		22,628	17,383
Operating cash flows before working capital changes		3,358,206	5,815,383
Changes in working capital:			
Inventories		820,440	(2,492,783)
Trade and other receivables		295,548	730,887
Prepayments		8,767	38,272
Trade and other payables		(17,497)	(758,823)
Cash generated from operations		4,465,464	3,332,936
Income tax paid		(1,116,392)	(734,551)
Net cash from operating activities		3,349,072	2,598,385
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(588,188)	(700,581)
Acquisition of prepaid land lease payments	5	-	(837,900)
Interest received		27,020	24,124
Proceeds from disposal of property, plant and equipment		10,789	57,793
Net cash used in investing activities		(550,379)	(1,456,564)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Cash flows from financing activities			
Dividends paid	24	(2,378,649)	(2,256,300)
Interest paid	20	(87,824)	(66,208)
Deposit refunded/(pledged)		2,027	(20,942)
Repayment of finance lease payable	A	(11,549)	(10,535)
Proceeds from short-term loans	A	-	3,495,750
Repayments of short-term loans	A	(1,092,187)	(2,443,574)
Proceeds from trust receipts	A	10,012,290	11,536,780
Repayments of trust receipts	A	(11,662,785)	(11,306,966)
Net cash used in financing activities		(5,218,677)	(1,071,995)
Net change in cash and cash equivalents		(2,419,984)	69,826
Cash and cash equivalents at beginning of financial year		9,021,509	8,804,318
Effect of foreign exchange rate changes on cash and cash equivalents		37,061	147,365
Cash and cash equivalents at end of financial year	11	6,638,586	9,021,509

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2018 US\$	Cash flows US\$	Non-cash changes Foreign exchange differences US\$	31 December 2018 US\$
Bank borrowings (Note 16)	1,069,559	(1,092,187)	22,628	-
Trust receipts (Note 15)	1,650,495	(1,650,495)	-	-
Finance lease payable (Note 14)	38,908	(11,549)	-	27,359
	2,758,962	(2,754,231)	22,628	27,359

	1 January 2017 US\$	Cash flows US\$	Non-cash changes Foreign exchange differences US\$	31 December 2017 US\$
Bank borrowings (Note 16)	-	1,052,176	17,383	1,069,559
Trust receipts (Note 15)	1,420,681	229,814	-	1,650,495
Finance lease payable (Note 14)	49,443	(10,535)	-	38,908
	1,470,124	1,271,455	17,383	2,758,962

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

1. General

Dynamic Colours Limited (the "Company") (Registration Number 199304233Z) is incorporated and domiciled in Singapore with its registered office and principal place of business at 21 Woodlands Close #09-12 Singapore 737854. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are investment holding and sale of plastic resins and polyethylene packaging materials.

The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 32 to the financial statements.

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 the statement of changes in equity of the Company are presented in United States dollar ("US\$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s 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 are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s and Interpretations of SFRS(I) ("SFRS(I) INTs") issued but not yet effective

As at the date of the authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019

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

Except as disclosed below, management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed a preliminary assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group expects to capitalise its operating leases on office premises on the statements of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments which are not expected to be material. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statements of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

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 transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

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.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at 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 and contingent liabilities assumed.

If, after reassessment, 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.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost 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 if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

Leasehold land and factory buildings	6 to 60 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	5 to 10 years
Renovation	3 to 5 years

No depreciation is charged on assets under construction as they are not yet ready for their intended use as at the end of the reporting period.

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 methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

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.

2.5 Prepaid land lease payments

Prepaid land lease payments represent upfront payments to acquire long term interests in the usage of land held under operating leases. They are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is charged to profit or loss on a straight-line basis over their estimated lease term of 40 to 50 years.

2.6 Intangible assets

Computer software

Acquired computer software are initially recognised 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 are 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 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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.

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.

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.

2.8 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.9 Financial instruments

The Group recognises a financial asset or a financial liability in its statements financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets

The Group classifies its financial assets into one of the following measurement categories: financial assets at fair value (either through other comprehensive income or through profit or loss); and financial assets at amortised cost, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group classified its financial assets at amortised cost.

The Group's accounting policy for financial assets at amortised cost is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for current conditions and forecast of future economic conditions that may affect the ability of customers to settle the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being presented in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets at amortised cost are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding goods and services tax receivable and advances to suppliers) and cash and bank balances in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018

Financial assets are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

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.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

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 loans and receivables in the statements of financial position comprise trade and other receivables (excluding goods and services tax receivable and advances to suppliers) and cash and bank balances.

Impairment of financial assets

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 loss 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

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.

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.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss and financial guarantee contracts.

Trade and other payables

Trade and other payables, excluding goods and services tax payable, advances from customers, unutilised leave and reinstatement cost, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest-bearing bank loans are initially measured at fair value, net of transaction costs 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 (Note 2.16).

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

Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value with changes in fair value being recognised in profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.10 Cash and bank balances

Cash and bank balances in the consolidated statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents excludes any fixed deposits pledged.

2.11 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 property, plant and equipment 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 consolidated 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 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 (Note 2.16).

Operating leases

Group as lessee of operating leases

Rentals payable under operating leases (net of any incentives received from lessors) 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.

Group as lessor of operating leases

Rental income from operating leases (net of any incentives given to lessees) 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 on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.12 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 reporting period, 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. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

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

2.13 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Revenue from sales of compounded resins, polyethylene packaging materials and toll compounding services

The Group's primary source of revenue are from the sale of compounded resins and polyethylene packaging materials and toll compounding services. Revenue from the sales of these products and services is recognised at a point in time when the products and the products from the services are delivered to or collected by customers. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term.

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

Dividend income

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

Sales of scrap

Revenue from sales of scrap is recognised upon delivery to or collection by customers.

2.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.15 Employee leave entitlements

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 3 months from the reporting date as a result of services rendered by employees up to the end of the reporting period.

Profit sharing and bonus plans

The Group recognised a liability and an expense for the expected cost of profit-sharing and bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

2.16 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.17 Taxes

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period.

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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 of asset and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. 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.

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 it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Sales tax

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

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation 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 taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.18 Dividends

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment.

2.19 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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. 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 directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the end of the reporting period. 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, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.19 Foreign currency transactions and translation (Continued)

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), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.20 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 Group Managing Director who make strategic decisions.

2.21 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were 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.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Impairment assessment of non-trade amount due from subsidiaries

At each reporting date, management determines whether there is change in credit risk of the subsidiaries since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the subsidiaries. There is no significant increase in credit risk as at 31 December 2018.

3.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment ("PPE") and prepaid land lease payments

PPE and prepaid land lease payments are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group follows the guidance of SFRS(I) 1-36 in determining whether PPE and prepaid land lease payment is impaired. This determination requires significant judgement. The Group evaluate among other factors, the financial health of near-term business outlook for the respective entities, including both internal and external source of information and operation and financing cash flows.

The carrying amount of the Group's PPE and prepaid land lease payments as at 31 December 2018 were US\$14,747,438 and US\$1,429,475 (31 December 2017: US\$15,587,715 and US\$1,473,790, 1 January 2017: US\$16,417,545 and US\$671,627).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Estimating expected credit loss allowance for trade receivables

The Group and the Company has elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the provision for impairment allowance on trade receivables at the end of each reporting period.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the reporting period, the loss allowance on trade receivables of US\$Nil (2017: US\$87,524) was recognised in the Group's profit or loss. The loss allowance on trade receivables for the previous financial year was accounted based on incurred loss model. The carrying amount of the Group's and the Company's trade receivables as at 31 December 2018 was US\$6,566,464 and US\$9,845,228 (31 December 2017: US\$6,817,571 and US\$12,454,463, 1 January 2017: US\$7,862,981 and US\$9,825,812) respectively.

Trade receivables due from a subsidiary, Huiye (Vietnam) Plastic Co., Ltd. ("HVP")

Management individually assessed and determined that there is a significant increase in credit risk on the Company's trade receivables due from HVP, amounting to US\$3,838,775, of which US\$3,662,525 was past due more than 90 days and subsequently identified that the trade receivables is credit-impaired. In measurement of the ECL on the trade receivables due from HVP, management evaluated the recovery options and credit loss scenarios based on reasonable and supportable information such as the available internal information on HVP's past, current and expected operating performance and cash flow position.

(iii) Allowance for inventories obsolescence

Inventories are stated at lower of costs and net realisable value ("NRV"). Management primarily determines cost of inventories using the weighted average costs method. Management estimates the NRV on inventories based age of the inventories, present and committed selling price, recent sales activities and market position of the products. Management also reviews the Group's inventories to identify slow-moving and obsolete inventories. Changes in demand levels and pricing competition could affect the salability and values of the inventories which could impact the Group's results, cash flows and financial position. The carrying amount of the Group's and the Company's inventories as at 31 December 2018 was US\$7,173,824 and US\$331,360 (31 December 2017: US\$8,041,574 and Nil, 1 January 2017: US\$5,537,165 and Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment

	Leasehold land and factory buildings US\$	Plant and machinery US\$	Motor vehicles US\$	Furniture, fittings and equipment US\$	Renovation US\$	Assets under construction US\$	Total US\$
Group							
Cost							
Balance at 1 January 2018	9,725,188	12,694,021	628,714	1,224,582	128,467	309,714	24,710,686
Additions	-	133,145	-	36,066	-	418,977	588,188
Disposals	-	(92,876)	-	(889)	-	-	(93,765)
Written-off	-	(6,912)	-	(46,923)	-	-	(53,835)
Transfer	367,664	17,280	44,949	141,969	59,727	(631,589)	-
Exchange differences	(109,318)	(35,116)	(5,372)	(30,928)	-	-	(180,734)
Balance at 31 December 2018	<u>9,983,534</u>	<u>12,709,542</u>	<u>668,291</u>	<u>1,323,877</u>	<u>188,194</u>	<u>97,102</u>	<u>24,970,540</u>
 Balance at 1 January 2017	9,398,951	12,717,031	608,038	1,118,552	127,605	136,859	24,107,036
Additions	-	106,077	75,100	71,633	862	446,909	700,581
Disposals	-	(211,643)	(53,946)	(3,335)	-	(6,000)	(274,924)
Written-off	-	-	(4,379)	(1,461)	-	-	(5,840)
Transfer	193,822	58,607	-	15,625	-	(268,054)	-
Exchange differences	132,415	23,949	3,901	23,568	-	-	183,833
Balance at 31 December 2017	<u>9,725,188</u>	<u>12,694,021</u>	<u>628,714</u>	<u>1,224,582</u>	<u>128,467</u>	<u>309,714</u>	<u>24,710,686</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment (Continued)

	Leasehold land and factory buildings US\$	Plant and machinery US\$	Motor vehicles US\$	Furniture, fittings and equipment US\$	Renovation US\$	Assets under construction US\$	Total US\$
Group							
Accumulated depreciation							
Balance at 1 January 2018	2,448,815	5,227,572	342,652	1,039,073	64,859	-	9,122,971
Depreciation	326,072	832,797	91,109	75,239	29,787	-	1,355,004
Disposals	-	(83,761)	-	(267)	-	-	(84,028)
Written-off	-	(6,221)	-	(42,246)	-	-	(48,467)
Exchange differences	(57,549)	(31,679)	(3,252)	(29,898)	-	-	(122,378)
Balance at 31 December 2018	<u>2,717,338</u>	<u>5,938,708</u>	<u>430,509</u>	<u>1,041,901</u>	<u>94,646</u>	<u>-</u>	<u>10,223,102</u>
Balance at 1 January 2017	2,052,943	4,367,636	310,870	924,821	33,221	-	7,689,491
Depreciation	332,867	1,011,232	82,639	97,658	31,638	-	1,556,034
Disposals	-	(172,287)	(48,552)	(3,057)	-	-	(223,896)
Written-off	(117)	-	(4,087)	(1,461)	-	-	(5,665)
Exchange differences	63,122	20,991	1,782	21,112	-	-	107,007
Balance at 31 December 2017	<u>2,448,815</u>	<u>5,227,572</u>	<u>342,652</u>	<u>1,039,073</u>	<u>64,859</u>	<u>-</u>	<u>9,122,971</u>
Net carrying amount							
Balance at 31 December 2018	<u>7,266,196</u>	<u>6,770,834</u>	<u>237,782</u>	<u>281,976</u>	<u>93,548</u>	<u>97,102</u>	<u>14,747,438</u>
Balance at 31 December 2017	<u>7,276,373</u>	<u>7,466,449</u>	<u>286,062</u>	<u>185,509</u>	<u>63,608</u>	<u>309,714</u>	<u>15,587,715</u>
Balance at 1 January 2017	<u>7,346,008</u>	<u>8,349,395</u>	<u>297,168</u>	<u>193,731</u>	<u>94,384</u>	<u>136,859</u>	<u>16,417,545</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment (Continued)

On 17 December 2018, the Group received a relocation notice from Suzhou Wuzhong district government that Suzhou Huiye Chemical & Light Industry Co., Ltd. and Suzhou Huiye Plastic Industry Co., Ltd. ("SuzhouHuiye") will have to be relocated in accordance with planning adjustments of Wuzhong district in Suzhou. Management assessed and determined that there is no indication of impairment on SuzhouHuiye's property, plant and equipment and prepaid land lease payments (Note 5).

As at 31 December 2018, the assets under construction mainly pertained to assembly of equipment in Malaysia which is not ready for use at the end of the reporting date.

As at 31 December 2017 and 1 January 2017, the assets under construction mainly pertained to construction of a new factory in Vietnam which is not ready for use at each reporting date.

Plant, machinery and equipment of the Group with carrying amount of US\$66,899 (31 December 2017: US\$97,775, 1 January 2017: US\$128,652) were acquired under finance lease arrangements (Note 14).

	Furniture, fittings and equipment US\$
Company	
Cost	
Balance at 1 January 2018	7,070
Additions	2,871
Balance at 31 December 2018	9,941
Balance at 1 January 2017	8,927
Written off	(1,857)
Balance at 31 December 2017	7,070
Accumulated depreciation	
Balance at 1 January 2018	7,070
Depreciation	718
Balance at 31 December 2018	7,788
Balance at 1 January 2017	8,927
Written off	(1,857)
Balance at 31 December 2017	7,070
Net carrying amount	
Balance at 31 December 2018	2,153
Balance at 31 December 2017	-
Balance at 1 January 2017	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Prepaid land lease payments

	Group US\$
Cost	
Balance at 1 January 2018	1,681,367
Exchange differences	(9,568)
Balance at 31 December 2018	<u>1,671,799</u>
Balance at 1 January 2017	828,984
Addition	837,900
Exchange differences	14,483
Balance at 31 December 2017	<u>1,681,367</u>
Accumulated amortisation	
Balance at 1 January 2018	207,577
Amortisation	39,207
Exchange differences	(4,460)
Balance at 31 December 2018	<u>242,324</u>
Balance at 1 January 2017	157,357
Amortisation	45,080
Exchange differences	5,140
Balance at 31 December 2017	<u>207,577</u>
Net carrying amount	
Balance at 31 December 2018	<u>1,429,475</u>
Balance at 31 December 2017	<u>1,473,790</u>
Balance at 1 January 2017	<u>671,627</u>

The prepaid land lease payments represent land use rights held by subsidiaries in the People's Republic of China and Vietnam.

As at 31 December 2018, the remaining amortisation period of the land use rights is between 33 to 39 years (31 December 2017: 34 to 40 years, 1 January 2017: 35 to 41 years). None of the leases include contingent rentals.

The Group has pledged prepaid land lease payments with carrying amount of US\$100,592 (31 December 2017: US\$109,569, 1 January 2017: US\$106,893) to secure banking facilities granted to a subsidiary which was not utilised at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Intangible assets

	Computer software US\$
Group	
Cost	
Balance at 1 January 2017	159,358
Exchange differences	(1,577)
Balance at 31 December 2017 and 31 December 2018	157,781
Accumulated amortisation	
Balance at 1 January 2018	154,205
Amortisation	3,508
Balance at 31 December 2018	157,713
Balance at 1 January 2017	152,277
Amortisation	3,505
Exchange differences	(1,577)
Balance at 31 December 2017	154,205
Net carrying amount	
Balance at 31 December 2018	68
Balance at 31 December 2017	3,576
Balance at 1 January 2017	7,081

7. Deferred tax

	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Deferred tax assets	38,722	–	–
Deferred tax liabilities	973,938	866,078	922,461

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

	Group	
	2018 US\$	2017 US\$
Balance at 1 January	(866,078)	(922,461)
(Charge)/Credit to profit or loss (Note 22)	(67,640)	56,383
Exchange differences	(1,498)	–
Balance at 31 December	(935,216)	(866,078)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. Deferred tax (Continued)

The following are the major deferred tax liabilities and assets recognised by the Group and the movement during the year.

Deferred tax liabilities

	Accelerated tax depreciation US\$	Others US\$	Total US\$
Group			
Balance at 1 January 2017	864,842	57,619	922,461
Charge/(Credit) to profit or loss	(63,465)	7,082	(56,383)
Balance at 31 December 2017	801,377	64,701	866,078
Charge to profit or loss	100,351	7,509	107,860
Balance at 31 December 2018	901,728	72,210	973,938

Deferred tax assets

	Others US\$	Total US\$
Group		
Balance at 1 January 2018	-	-
Credit to profit or loss	40,220	40,220
Exchange differences	(1,498)	(1,498)
Balance at 31 December 2018	38,722	38,722

As at 31 December 2018, subject to the agreement by relevant taxation authorities, a subsidiary of the Group has unutilised tax losses of approximately US\$61,000 available for offset against future profits which will expire in 2023. The Group does not have unutilised tax losses in prior years. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of profit streams.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Investment in subsidiaries

	31 December 2018 US\$	Company 31 December 2017 US\$	1 January 2017 US\$
Unquoted equity shares, at cost	7,949,511	11,784,111	11,784,111
Capital reduction	-	(3,834,600)	-
Impairment loss	-	(650,000)	(2,250,000)
	7,949,511	7,299,511	9,534,111

In prior financial year, the Board of Directors of Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHCL") approved the capital reduction exercise for SHCL to reduce the registered capital of SHCL from US\$5,066,200 to US\$1,231,600.

Movement in impairment loss is as follows:

	Company 2018 US\$	2017 US\$
Balance at 1 January	650,000	2,250,000
Reversal during the financial year	(650,000)	(1,600,000)
Balance at 31 December	-	650,000

During the financial year, management carried out a review of the recoverable amount of the investment in subsidiaries. The review led to recognition of a reversal of impairment loss of US\$650,000 relating to the investment in Huiye (Vietnam) Plastic Co., Ltd ("HVP"). The recoverable amount of HVP has been determined on the basis of fair value less costs of disposal.

In prior financial year, management carried out a review of the recoverable amount of the investment in subsidiaries. A reversal of impairment loss of US\$1,600,000 was recognised relating to the investment in SHCL following the capital reduction exercise and an increase in business activities that resulted in an increase in the projected value in use of this investment. The recoverable amount of the investment of US\$1,444,000 has been determined on the basis of its value in use. The discount rate used in measuring the value in use was 9.0%.

Cash and bank balances of US\$212,237 (31 December 2017: US\$460,492, 1 January 2017: US\$408,751) held in the People's Republic of China, are subject to local exchange control regulations. These regulations place restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Investment in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		
		31 December 2018 %	31 December 2017 %	1 January 2017 %
S.L. Packaging Industries Pte. Ltd. ⁽¹⁾ (Singapore)	Sale of polyethylene packaging materials	100	100	100
Suzhou Huiye Chemical & Light Industry Co., Ltd. ⁽²⁾ (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	100	100	100
Suzhou Huiye Plastic Industry Co., Ltd. ⁽²⁾ (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	100	100	100
Huiye Polymer (M) Sdn. Bhd. ⁽³⁾ (Malaysia)	Manufacture and sale of compounded resins, toll compounding services and manufacture and sale of polyethylene packaging materials	100	100	100
Huiye (Vietnam) Plastic Co., Ltd. ⁽⁴⁾ (Vietnam)	Manufacture and sale of compounded resins and toll compounding services	100	100	100

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO China Shu Lun Pan Certified Public Accountants LLP for consolidation purposes. The statutory auditor is Jiangsu Gong Zheng Certified Public Accountants, People's Republic of China.

(3) Audited by BDO PLT, Malaysia.

(4) Audited by overseas member firm of BDO network in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Inventories

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Finished goods	1,146,356	1,911,489	1,368,305	-	-	-
Work in progress	292,448	141,709	324,242	-	-	-
Raw materials	5,265,540	5,812,456	3,844,618	-	-	-
Goods in transit – raw materials	469,480	175,920	-	331,360	-	-
	7,173,824	8,041,574	5,537,165	331,360	-	-

Raw materials consist mainly of plastic resins, colour pigments and additives.

In prior financial year, there was a reversal of allowance for inventory obsolescence amounted to US\$11,626 as the inventories were sold above their carrying amount.

During the financial year, there was no write-down of inventories to net realisable value.

10. Trade and other receivables

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Trade receivables						
– third parties	6,566,464	6,817,571	7,862,981	-	-	-
– subsidiaries	-	-	-	9,845,228	12,454,463	9,825,812
	6,566,464	6,817,571	7,862,981	9,845,228	12,454,463	9,825,812
Other receivables						
– third parties	31,686	178,506	18,981	-	-	-
– subsidiaries	-	-	-	4,807,765	3,144,721	8,201,790
Goods and services tax receivable	9,148	38,860	44,737	9,148	10,056	870
Deposits	22,321	102,361	53,598	-	-	-
Advances to suppliers	243,279	95,365	70,777	-	52,980	-
Total trade and other receivables	6,872,898	7,232,663	8,051,074	14,662,141	15,662,220	18,028,472
Add/(Less):						
Advances to suppliers	(243,279)	(95,365)	(70,777)	-	(52,980)	-
Goods and services tax receivable	(9,148)	(38,860)	(44,737)	(9,148)	(10,056)	(870)
Cash and bank balances (Note 11)	6,830,400	9,215,350	8,977,217	2,995,556	4,445,222	3,236,705
Financial assets at amortised costs/loans and receivables (2017)	13,450,871	16,313,788	16,912,777	17,648,549	20,044,406	21,264,307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Trade and other receivables (Continued)

Trade receivables are non-interest bearing and generally range from 30 to 120 days credit terms.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The currency profiles of the Group's and Company's trade and other receivables at each reporting date are as follows:

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
United States Dollar	4,474,058	5,333,126	6,948,264	13,944,881	14,355,413	16,857,606
Chinese Renminbi	2,002,356	1,583,631	833,163	-	-	-
Singapore Dollar	129,136	13,953	4,715	125,239	10,056	870
Vietnamese Dong	240,631	214,187	180,265	-	-	-
Malaysian Ringgit	26,717	87,766	56,220	592,021	1,296,751	1,169,996
Euro	-	-	28,447	-	-	-
	6,872,898	7,232,663	8,051,074	14,662,141	15,662,220	18,028,472

11. Cash and bank balances

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Cash and bank balances	5,638,586	9,021,509	8,804,318	1,995,556	4,445,222	3,236,705
Fixed deposits	1,191,814	193,841	172,899	1,000,000	-	-
Cash and bank balances on statements of financial position	6,830,400	9,215,350	8,977,217	2,995,556	4,445,222	3,236,705
Fixed deposits pledged	(191,814)	(193,841)	(172,899)			
Cash and cash equivalents included in consolidated statement of cash flows	6,638,586	9,021,509	8,804,318			

The Group's and the Company's fixed deposits bear interest of 2.80% and 3.10% and 2.80% (31 December 2017: 3.10% and Nil, 1 January 2017: 3.15% to 3.30% and Nil) respectively per annum and for a tenure of approximately 2 to 12 months and 2 months (31 December 2017: 12 months and Nil, 1 January 2017: 12 months and Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Cash and bank balances (Continued)

The fixed deposit of a subsidiary in Malaysia that has been pledged to a bank is for performance guarantee extended to public utilities service provider and customs.

The currency profiles of the Group's and Company's cash and bank balances included in the statements of financial position at each reporting date are as follows:

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
United States Dollar	5,654,770	7,354,054	7,074,981	2,881,427	4,374,538	3,117,932
Chinese Renminbi	212,317	460,600	408,859	1	1	1
Singapore Dollar	372,436	180,906	261,392	110,106	69,848	117,750
Vietnamese Dong	163,095	495,736	931,633	-	-	-
Malaysian Ringgit	423,806	722,511	206,994	46	46	46
Euro	3,757	589	92,403	3,757	589	775
Others	219	954	955	219	200	201
	6,830,400	9,215,350	8,977,217	2,995,556	4,445,222	3,236,705

12. Share capital

	Group and Company			
	2018 Number of shares	2017 Number of shares	2018 US\$	2017 US\$
Issued and fully-paid:				
Balance at beginning and end of financial year	209,971,310	209,971,310	18,822,247	18,822,247

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares have no par value and carry one vote per share without restriction.

13. Reserves

Foreign exchange reserve

The foreign exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations where functional currency is different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Reserves (Continued)

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China, the subsidiaries are required to make appropriation to a Statutory Reserve Fund. At least 10% of the statutory after-tax profits as determined in accordance with the applicable People's Republic of China accounting standards and regulations must be allocated to the Statutory Reserve Fund until the cumulative total of the Statutory Reserve Fund reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant People's Republic of China authorities, the Statutory Reserve Fund may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The Statutory Reserve Fund is not available for dividend distribution to shareholders.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of employee services received for the issue of shares under the Employee Share Reward Scheme ("ESRS").

The Company had on 25 September 2007 implemented ESRS jointly with ESRS Grantors. An aggregate of 5,236,970 shares of the Company had been transferred by the ESRS Grantors to the Trustee, Stellar Woods Limited for distribution to eligible employees.

The ESRS which was administered by the Remuneration Committee ("RC") expired in January 2011. As at the expiry date, a total number of 2,259,180 Reward Shares were distributed to the employees.

14. Finance lease payable

	31 December 2018 US\$	Group 31 December 2017 US\$	1 January 2017 US\$
Minimum lease payments due			
– Not later than a year	13,406	12,788	12,788
– Later than one year but not later than five years	14,760	28,917	42,096
	28,166	41,705	54,884
Less: finance charges	(807)	(2,797)	(5,441)
Present value of minimum lease payments	27,359	38,908	49,443
Presented in consolidated statement of financial position:			
Non-current	14,523	27,860	39,081
Current	12,836	11,048	10,362
	27,359	38,908	49,443

The finance lease term is 5 years (31 December 2017: 5 years, 1 January 2017: 5 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Finance lease payable (Continued)

The finance lease bears effective interest rate at 5.42% (31 December 2017: 5.42%, 1 January 2017: 5.42%) per annum. Interest rate is fixed at the contract date and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by personal guarantee from a director of the Company and the leased assets (Note 4), which will revert to the lessor in the event of default by the Group.

The carrying amount of the non-current finance lease payable approximate the fair value at each reporting date.

The finance lease payable is denominated in Singapore dollar.

15. Trade and other payables

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Trade payables						
– third parties	1,342,674	1,168,507	1,897,607	1,182,066	857,978	1,398,258
Bills payable	582,540	790,810	807,500	582,540	790,810	807,500
Trust receipts	–	1,650,495	1,420,681	–	1,650,495	1,420,681
Other payables						
– third parties	352,418	390,455	417,504	3,820	17,082	2,141
– a subsidiary	–	–	–	–	–	4,130,253
Goods and services tax payable	19,731	35,676	49,851	–	–	–
Advances from customers	14,637	–	–	–	–	–
Accrued operating expenses	1,142,068	1,083,821	913,596	337,064	367,878	303,348
Total trade and other payables	3,454,068	5,119,764	5,506,739	2,105,490	3,684,243	8,062,181
Add/(Less):						
Goods and services tax payable	(19,731)	(35,676)	(49,851)	–	–	–
Advances from customers	(14,637)	–	–	–	–	–
Unutilised leaves	(18,539)	(9,110)	(8,397)	(7,120)	–	–
Reinstatement cost	(5,659)	(5,659)	(5,659)	–	–	–
Finance lease payable (Note 14)	27,359	38,908	49,443	–	–	–
Bank borrowings (Note 16)	–	1,069,559	–	–	1,069,559	–
Total financial liabilities at amortised cost	3,422,861	6,177,786	5,492,275	2,098,370	4,753,802	8,062,181

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Trade and other payables (Continued)

Trade payables are non-interest bearing and are generally on 30 to 120 days credit terms.

As at 31 December 2017, trust receipts are unsecured, bear interest ranging from 1.65% to 3.52% (1 January 2017: 2.1% to 3.1%) per annum and are normally cash settled within 5 months (1 January 2017: 5 months).

As at 1 January 2017, the non-trade amount due to a subsidiary was unsecured, non-interest bearing, repayable on demand and were settled in cash.

The currency profiles of the Group's and the Company's trade and other payables at each reporting date are as follows:

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
United States Dollar	1,782,793	3,489,082	4,086,938	1,764,606	3,373,137	7,833,540
Chinese Renminbi	504,920	321,395	524,470	-	-	-
Singapore Dollar	717,746	679,748	502,874	340,884	311,106	228,641
Vietnamese Dong	134,623	240,163	16,291	-	-	-
Malaysian Ringgit	313,986	389,376	373,640	-	-	-
Euro	-	-	2,526	-	-	-
	3,454,068	5,119,764	5,506,739	2,105,490	3,684,243	8,062,181

16. Bank borrowings

	Group and Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Current liability			
Short-term loans – unsecured	-	1,069,559	-

The carrying amounts of the Group's and the Company's bank borrowings approximated their respective fair value due to the relatively short-term maturity of these financial instruments.

Terms and debt repayment schedule of bank borrowings

The nominal interest rates for unsecured revolving credit facilities for the financial year ended 31 December 2017 is 2.4% per annum and had maturity dates within 1 month from the end of the reporting period.

Bank borrowings are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Derivative financial instruments

	Group and Company		
	31 December	31 December	1 January
	2018	2017	2017
	US\$	US\$	US\$
Liabilities			
Foreign currency forward contracts	-	-	142,034

The Group utilises currency derivatives to manage its exposure to foreign exchange movements arising from its foreign currency denominated business transactions.

The Group and the Company are parties to foreign currency forward contracts in the management of its exchange rates exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At each reporting date, the outstanding forward foreign currency contracts to which the Group and the Company committed are as follows:

	Group and Company					
	Notional amount			Fair value		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Sell United States dollar	-	-	4,400,000	-	-	142,034

As at 1 January 2017, the fair value of the forward foreign currency contracts was determined based on quoted market prices for equivalent forward currency contracts at the end of the reporting period. The foreign currency forward contracts were settled during financial year 2017.

18. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Revenue (Continued)

Disaggregation of revenue (Continued)

	Group	
	2018 US\$	2017 US\$
Resin compounding		
– sale of goods	21,017,732	22,885,101
– toll compounding services	2,269,630	1,909,475
	23,287,362	24,794,576
Polyethylene packaging		
– sale of goods	17,529,363	19,416,059
	40,816,725	44,210,635

The Group's revenue comprised of invoiced value of services and goods sold and is recognised at point in time.

19. Other income

	Group	
	2018 US\$	2017 US\$
Scrap income	242,612	109,423
Rental income	242,210	163,523
Government grant	3,424	4,158
Gain on disposal of property, plant and equipment	1,052	6,765
Others	5,220	10,863
	494,518	294,732

20. Finance income/costs

	Group	
	2018 US\$	2017 US\$
Finance income:		
Interest income on bank deposits	27,020	24,124
Foreign exchange gain, net	–	106,229
	27,020	130,353
Finance costs:		
Interest expenses on short-term revolving credit facilities	(4,485)	(1,561)
Interest expenses on trust receipts	(81,349)	(62,002)
Interest expenses on finance lease payable	(1,990)	(2,645)
Foreign exchange loss, net	(84,970)	–
	(172,794)	(66,208)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Profit before tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges/(credit):

	Group	
	2018 US\$	2017 US\$
<u>Cost of sales</u>		
Depreciation of property, plant and equipment	1,073,188	1,268,424
Operating lease expense	6,227	6,310
Amortisation of prepaid land lease payments	33,073	13,087
Cost of inventories	30,734,832	32,290,791
Write back for inventory obsolescence	-	(11,626)
<u>Distribution expenses</u>		
Depreciation of property, plant and equipment	4,808	2,805
Freight and handling	296,544	368,763
Commission expenses	102,805	52,851
<u>Administrative expenses</u>		
Audit fees		
– auditors of the Company	55,698	86,657
– other auditors	34,831	6,189
Non-audit fees		
– auditors of the Company	7,426	-
– other auditors	15,490	1,100
Depreciation of property, plant and equipment	195,950	214,875
Operating lease expense	18,792	13,785
Amortisation of intangible assets	3,508	3,505
Amortisation of prepaid land lease payments	6,134	31,993
Listing expenses	40,080	33,503
Repair and maintenance expenses	16,388	138,185
Travelling expenses	46,405	62,587
<u>Other operating expenses</u>		
Depreciation of property, plant and equipment	81,058	69,930
Property, plant and equipment written off	5,368	175

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Profit before tax (Continued)

Profit before tax also includes:

	Group	
	2018 US\$	2017 US\$
Employee benefits expenses		
– salaries, bonuses and other benefits	3,551,003	3,369,914
– contributions to the defined contribution plan	563,356	234,784
	4,114,359	3,604,698

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2018 US\$	2017 US\$
Cost of sales	1,805,914	1,662,137
Distribution of expenses*	668,018	516,300
Administrative expenses*	1,640,427	1,426,261
	4,114,359	3,604,698

* The above includes the remuneration of Directors and other key management personnel as shown in Note 27 to the financial statements.

22. Income tax expense

	Group	
	2018 US\$	2017 US\$
Current income tax		
– current financial year	441,480	840,109
– overprovision in prior financial years	(23,205)	(39,722)
	418,275	800,387
Deferred tax		
– current financial year	67,640	(23,928)
– overprovision in prior financial years	–	(32,455)
	67,640	(56,383)
Total income tax expense in consolidated statement of comprehensive income	485,915	744,004

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. Income tax expense (Continued)

Reconciliation of effective income tax rate

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before tax as a result of the following differences:

	Group	
	2018 US\$	2017 US\$
Profit before tax	1,872,739	4,081,989
Tax calculated at Singapore income tax rate	318,366	693,938
Effect of different tax rates of overseas operations	114,419	159,348
Tax effect of income not subject to tax	(887)	(80,297)
Tax effect of non-deductible expenses for income tax purpose	107,768	104,436
Tax effect of tax rebates and exemption	(53,168)	(72,182)
Deferred tax assets not recognised	15,250	–
Overprovision in prior financial years	(23,205)	(72,177)
Others	7,372	10,938
Total income tax expense	485,915	744,004

23. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2018	2017
Profit after tax from attributable to owners of the parent (US\$)	1,386,824	3,337,985
Weighted average of ordinary shares in issue during the reporting period applicable to basic earnings per share	209,971,310	209,971,310
<u>Earnings per share (cents)</u>		
– basic earnings per share	0.66	1.59
– diluted earnings per share	0.66	1.59

Basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the parent by the weighted average of ordinary shares during the financial year. The Group has no dilutive potential ordinary shares in the current or previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Dividends

	Group and Company	
	2018	2017
	US\$	US\$
Final tax-exempt dividend of 1.50 Singapore cents (2017: 1.50 Singapore cents) per share in respect of the previous financial year	2,378,649	2,256,300

The Board of Directors proposed that a final dividend of 0.50 Singapore cents per ordinary share amounting to approximately US\$770,000 to be paid for the financial year ended 31 December 2018. The dividend has not been recognised as a liability as at 31 December 2018 as it is subject to the approval of the shareholders at the Annual General Meeting.

25. Operating lease commitment

The Group as lessee

The Group leases office premises and office equipment in Singapore, Malaysia and Vietnam under operating leases. At each reporting date, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities are as follows:

	31 December 2018 US\$	Group 31 December 2017 US\$	1 January 2017 US\$
Not later than one year	26,781	16,387	23,333
Later than one year but not later than five years	40,394	29,634	39,763
Later than five years	–	–	6,440
	67,175	46,021	69,536

Most of the leases are negotiated for an average term of 3 years. These leases have varying terms, escalation clauses and renewal options. There is no contingent rental.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Operating lease commitments (Continued)

The Group as lessor

The Group has sublet part of its factory buildings in People's Republic of China. At each reporting date, the future minimum lease receivable under non-cancellable operating leases are as follows:

	31 December 2018 US\$	Group 31 December 2017 US\$	1 January 2017 US\$
Not later than one year	188,907	173,653	110,009
Later than one year but not later than five years	368,908	503,095	–
	557,815	676,748	110,009

These non-cancellable leases have remaining lease terms of 2 to 4 years (31 December 2017: 3 to 5 years, 1 January 2017: 1 year). All leases include a clause to enable upward revision of the rental charge on a tri-annum basis based a fixed agreed percentage. There is no contingent rental.

26. Capital commitments

Capital expenditure contracted for at each reporting date but not recognised in the financial statements are as follows:

	31 December 2018 US\$	Group 31 December 2017 US\$	1 January 2017 US\$
Capital expenditure contracted but not provided for			
– Prepaid land lease payments in Vietnam	–	–	754,110
– Factory in Vietnam	–	194,141	137,508
– Equipment in Malaysia	–	136,816	–
	–	330,957	891,618

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Company	
	2018	2017
	US\$	US\$
With subsidiaries		
Sale of goods	23,718,222	28,196,413
Dividend income	3,000,000	–

Key management personnel are Directors of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly, or indirectly.

The remunerations of key management personnel of the Group during the financial year were as follows:

	Group	
	2018	2017
	US\$	US\$
Directors of the Company		
– short-term benefits	726,635	850,909
– post-employment benefits	21,010	16,221
– directors' fees	166,890	121,367
Other key management personnel		
– short-term benefits	454,474	350,316
– post-employment benefits	52,437	33,433
	1,421,446	1,372,246

28. Segment information

The Group has two reportable segments, as described below, which are the Group's operating segments. The operating segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each operating segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's operating/reportable segments:

- *Resin compounding:* Includes the manufacture and sale of compounded resins and toll compounding services.
- *Polyethylene packaging:* Includes the manufacture and sale of polyethylene packaging materials.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Segment information (Continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are insignificant.

Income taxes are managed by management of the respective entities within the Group.

There is no change from prior periods in the measurement methods used to determine reported segment results.

The accounting policies of the operating segments are the same as 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 income tax expense, not including non-recurring gains and losses.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segment	Resin compounding US\$	Polyethylene packaging US\$	Total US\$
Group			
31 December 2018			
Revenue			
External revenue	<u>23,287,362</u>	<u>17,529,363</u>	<u>40,816,725</u>
Results			
Segment results	1,129,015	804,528	1,933,543
Interest income	25,205	1,815	27,020
Finance costs	<u>(85,834)</u>	<u>(1,990)</u>	<u>(87,824)</u>
Profit before tax	<u>1,068,386</u>	<u>804,353</u>	<u>1,872,739</u>
Income tax expense			<u>(485,915)</u>
Profit for the financial year			<u>1,386,824</u>
Non-cash items			
Depreciation of property, plant and equipment	(333,861)	(1,021,143)	(1,355,004)
Amortisation of prepaid land lease payments	(39,207)	-	(39,207)
Amortisation of intangible assets	<u>(3,508)</u>	<u>-</u>	<u>(3,508)</u>
Capital expenditure			
Property, plant and equipment	<u>500,376</u>	<u>87,812</u>	<u>588,188</u>
Assets and liabilities			
Segment assets	<u>22,625,122</u>	<u>14,710,525</u>	<u>37,335,647</u>
Segment liabilities	<u>3,247,736</u>	<u>1,346,077</u>	<u>4,593,813</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Segment information (Continued)

Business segment	Resin compounding US\$	Polyethylene packaging US\$	Total US\$
Group			
31 December 2017			
Revenue			
External revenue	24,794,576	19,416,059	44,210,635
Results			
Segment results	2,061,362	2,062,711	4,124,073
Interest income	22,490	1,634	24,124
Finance costs	(63,563)	(2,645)	(66,208)
Profit before tax	2,020,289	2,061,700	4,081,989
Income tax expense			(744,004)
Profit for the financial year			3,337,985
Non-cash items			
Depreciation of property, plant and equipment	(543,942)	(1,012,092)	(1,556,034)
Amortisation of prepaid land lease payments	(45,080)	–	(45,080)
Amortisation of intangible assets	(3,505)	–	(3,505)
Capital expenditure			
Property, plant and equipment	579,294	121,287	700,581
Prepaid land lease payments	837,900	–	837,900
Assets and liabilities			
Segment assets	26,989,836	14,660,547	41,650,383
Segment liabilities	5,958,204	1,818,294	7,776,498
Group			
1 January 2017			
Capital expenditure			
Property, plant and equipment	1,381,184	251,048	1,632,232
Assets and liabilities			
Segment assets	24,163,905	15,631,791	39,795,696
Segment liabilities	5,612,251	1,624,779	7,237,030

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Segment information (Continued)

Geographical information

Revenue is based on the country in which the customers are located as follows:

Segments	Resin Compounding		Polyethylene packaging		Total	
	2018	2017	2018	2017	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$
<i>Primary geographical markets</i>						
People's Republic of China	16,648,317	17,094,308	–	–	16,648,317	17,094,308
Singapore	4,843	–	15,081,467	18,593,536	15,086,310	18,593,536
Malaysia	4,318,974	4,275,695	138,189	123,971	4,457,163	4,399,666
Vietnam	2,315,228	3,424,573	1,720,707	10,292	4,035,935	3,434,865
Indonesia	–	–	589,000	688,260	589,000	688,260
	23,287,362	24,794,576	17,529,363	19,416,059	40,816,725	44,210,635

Non-current assets comprise primarily of property, plant and equipment, prepaid land lease payments, intangible assets and deferred tax assets. Non-current assets are shown by the geographical area in which the assets are located.

	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Non-current assets			
People's Republic of China	2,149,318	2,106,442	2,197,561
Singapore	129,722	204,516	284,568
Malaysia	10,664,399	11,520,577	12,401,164
Vietnam	3,272,264	3,233,546	2,212,960
	16,215,703	17,065,081	17,096,253

Major customers

Revenue from two customers (2017: two customers) of the Group's polyethylene packaging segment represents approximately US\$12,911,645 or 32% (2017: US\$16,604,794 or 38%) of the Group's total revenue. There is no customer whose revenue from the Group's resin compounding segment that represents more than 10% of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks

The Group's activities expose them to credit risk, market risks (including foreign currency risk and interest rate risk) and liquidity risk.

This note presents information about the Group's exposure to each of the above risk, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved against the Group's risk appetite. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee ("ARC") oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit ("IA") and other assurance activities. IA undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

29.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

At each reporting date, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statements of financial position.

The Group's and Company's major classes of financial assets are cash and bank balances and trade and other receivables.

The Group has significant credit exposures arising from the trade receivables due from 9 (31 December 2017: 10, 1 January 2017: 9) major customers representing 56% (31 December 2017: 54%, 1 January 2017: 57%) of total trade receivables as at 31 December 2018.

The Company has significant credit exposures arising from the trade and non-trade amounts due from subsidiaries amounting to US\$9,845,228 (31 December 2017: US\$12,454,463, 1 January 2017: US\$9,825,812) and US\$4,807,765 (31 December 2017: US\$3,144,721, 1 January 2017: US\$8,201,790) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.1 Credit risk (Continued)

Trade receivables

The following is an aging analysis of the Group's and the Company's trade receivables at each reporting date:

	Group			Company		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Not past due	6,231,382	6,462,974	6,325,715	3,026,546	5,207,369	4,183,170
Past due 1 – 30 days	323,354	316,928	1,481,696	1,258,519	307,250	3,430,092
Past due 31 – 60 days	11,728	37,669	55,570	211,750	1,399,028	–
Past due 61 – 90 days	–	–	–	1,685,888	157,400	736,440
Past due more than 90 days	–	–	–	3,662,525	5,383,416	1,476,110
	<u>6,566,464</u>	<u>6,817,571</u>	<u>7,862,981</u>	<u>9,845,228</u>	<u>12,454,463</u>	<u>9,825,812</u>

Management measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables, excluding trade receivables determined to be credit-impaired, are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables at the reporting date. Management determines the trade receivables are subject to immaterial credit loss.

Management individually assessed and determined that there is a significant increase in credit risk on the Company's trade receivables due from a subsidiary, Huiye (Vietnam) Plastic Co., Ltd. ("HVP"), amounting to US\$3,838,775, of which US\$3,662,525 was past due more than 90 days and subsequently identified that the trade receivables is credit-impaired. Based on management's assessment, the ECL is determined to be insignificant.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off in 2017 is subject to enforcement activities.

As disclosed in Note 2.9 in the financial statements, the impairment of trade receivables in prior years was assessed based on objective evidence that the estimated future cash flows have been impacted. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.1 Credit risk (Continued)

Non-trade receivables

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk for the non-trade receivables due from third parties (Note 10). In the assessment for indicators, management took into account information that it has available internally about these counterparties' past, current and expected operating performance and cash flow position, as well as their performance ratio and if the entities had any default in external debts. Based on the assessment, management has determined that the credit risk for these assets has not increased significantly since their initial recognition, and accordingly, the non-trade amounts have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For non-trade amounts due from subsidiaries (Note 10), management has taken into account the available internal information on these subsidiaries' past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amounts due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets to repay their debts and subject to immaterial credit loss.

Cash and bank balances

Credit risk also arises from balances held with banks. The Group and the Company substantially placed its bank balances in 2 and 1 banks (31 December 2017: 2 and 2 banks, 1 January 2017: 3 and 1 banks) respectively which represent 73% and 92% (31 December 2017: 75% and 88%, 1 January 2017: 76% and 66%) respectively of the Group's and the Company's bank balances as at 31 December 2018.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any material credit losses from non-performance by these banks which are assigned with investment grade ratings of generally at least Baa2 by international credit-rating agencies.

29.2 Market risks

The Group's activities expose it primarily to the financial risks of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases and expenditure that are denominated in a currency other than the respective functional currencies of Group entities and the Company. The currencies in which these transactions are denominated are the Chinese renminbi, Singapore dollar, Vietnamese dong, Malaysian Ringgit and Euro. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. When necessary, the Group uses forward exchange contracts to hedge its foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.2 Market risks (Continued)

Foreign currency risk (Continued)

The Group's currency exposure is as follows:

	Monetary assets			Monetary liabilities		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Chinese renminbi	598,561	1,435,387	178,242	140,457	191,064	339,373
Singapore dollar	492,424	194,859	266,107	792,409	1,788,215	552,317
Vietnamese dong	372,535	709,923	1,111,898	134,623	240,163	16,291
Malaysian Ringgit	1,041,114	2,107,028	1,433,210	902,360	389,376	373,640
Euro	3,757	589	120,850	-	-	2,526
Others	219	954	955	-	-	-

The Company's currency exposure is as follows:

	Monetary assets			Monetary liabilities		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Singapore dollar	226,197	79,904	118,620	333,764	1,380,665	228,641
Malaysian Ringgit	592,067	1,296,797	1,170,042	-	-	-

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (31 December 2017: 10%, 1 January 2017: 10%) change in Chinese renminbi, Singapore dollar, Vietnamese dong, Malaysian Ringgit and Euro against respective functional currencies of the entities within the Group and the Company's sensitivity to a 10% (31 December 2017: 10%, 1 January 2017: 10%) change in Singapore dollar and Malaysian Ringgit against the Company's functional currency (United States dollar). The sensitivity analysis assumes an instantaneous 10% (31 December 2017: 10%, 1 January 2017: 10%) change in the foreign currency exchange rates at each reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated Chinese renminbi, Singapore dollar, Vietnamese dong, Malaysian Ringgit and Euro are included in the analysis. Consequentially, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)**29.2 Market risks** (Continued)Foreign currency risk (Continued)*Foreign currency sensitivity analysis* (Continued)

	Increase/(Decrease)		
	Profit before tax		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Group			
<i>Chinese renminbi</i>			
Strengthens against United States dollar	45,810	124,432	(16,113)
Weakens against United States dollar	(45,810)	(124,432)	16,113
<i>Singapore dollar</i>			
Strengthens against United States dollar	(29,999)	(159,336)	(28,621)
Weakens against United States dollar	29,999	159,336	28,621
<i>Vietnamese dong</i>			
Strengthens against United States dollar	23,791	46,976	109,561
Weakens against United States dollar	(23,791)	(46,976)	(109,561)
<i>Malaysian Ringgit</i>			
Strengthens against United States dollar	13,875	171,765	105,957
Weakens against United States dollar	(13,875)	(171,765)	(105,957)
<i>Euro</i>			
Strengthens against United States dollar	376	–	11,832
Weakens against United States dollar	(376)	–	(11,832)
Company			
<i>Singapore dollar</i>			
Strengthens against United States dollar	(10,757)	(130,076)	(11,002)
Weakens against United States dollar	10,757	130,076	11,002
<i>Malaysian Ringgit</i>			
Strengthens against United States dollar	59,207	129,680	117,004
Weakens against United States dollar	(59,207)	(129,680)	(117,004)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.2 Market risks (Continued)

Interest rate risk

As at reporting date, the Group does not have any significant exposure to interest rate risk. Its interest rate risk is primarily attributable to finance lease payable and trust receipts as shown in Note 14 and Note 15 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

29.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Group maintains revolving credit facilities with various banks that can be drawn down to meet short-term financing needs.

Intra-group financial guarantees

The Company's policy is to provide financial guarantees only in respect of its wholly-owned subsidiaries.

As at 31 December 2017, the Company has provided financial guarantees to banks in respect of banking facilities granted to a subsidiary amounting to US\$5,800,000 (1 January 2017: US\$12,382,000). The Company did not provide any financial guarantee as at 31 December 2018.

As at 31 December 2017 and 1 January 2017, the Company has not recognised any liability in respect of guarantees given to the banks for banking facilities granted to the subsidiary as the subsidiary did not utilise these banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.3 Liquidity risk (Continued)

Contractual maturity analysis – non-derivative financial instruments

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group and the Company is expected to pay. The table includes both expected interest and principal cash flows.

	Within one financial year or on demand US\$	After one financial year but within five financial years US\$	Total US\$
Group			
31 December 2018			
<u>Financial liabilities</u>			
Non-interest bearing			
– trade and other payables	3,395,502	–	3,395,502
Interest bearing			
– finance lease payable	13,406	14,760	28,166
	3,408,908	14,760	3,423,668
31 December 2017			
<u>Financial liabilities</u>			
Non-interest bearing			
– trade and other payables	3,418,824	–	3,418,824
Interest bearing			
– trust receipts	1,656,204	–	1,656,204
– bank borrowings	1,070,614	–	1,070,614
– finance lease payable	12,788	28,917	41,705
	6,158,430	28,917	6,187,347
1 January 2017			
<u>Financial liabilities</u>			
Non-interest bearing			
– trade and other payables	4,022,151	–	4,022,151
Interest bearing			
– trust receipts	1,426,827	–	1,426,827
– finance lease payable	12,788	42,096	54,884
	5,461,766	42,096	5,503,862

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Financial instruments and financial risks (Continued)

29.3 Liquidity risk (Continued)

Contractual maturity analysis – non-derivative financial instruments (Continued)

	Company		
	On demand or within one year		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Financial liabilities			
Non-interest bearing			
– trade and other payables	2,098,370	2,033,748	6,641,500
Interest bearing			
– trust receipts	–	1,656,204	1,426,827
– bank borrowings	–	1,070,614	–
	2,098,370	4,760,566	8,068,327

Contractual maturity analysis – derivative financial instruments

The following tables detail the liquidity analysis for derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement and the undiscounted net cash outflows on those derivatives that settle on a net basis.

	Group and Company		
	On demand or within one year		
	31 December 2018 US\$	31 December 2017 US\$	1 January 2017 US\$
Gross settled:			
Foreign currency contracts			
– Gross inflows	–	–	4,400,000
– Gross outflows	–	–	(4,542,034)
	–	–	(142,034)

30. Capital management policies and objectives

The Group and the Company manage their 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's value.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings as presented in the Statement of Changes in Equity.

Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, management will balance their overall capital structure through the payment of dividends and new share issues as well as making repayment of the borrowings or obtain new borrowings. The Group's overall strategy remains unchanged from 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Capital management policies and objectives (Continued)

Subsidiaries of the Group established in the People's Republic of China are required to contribute and maintain a non-distributable statutory reserve fund as set out in the relevant regulations in the People's Republic of China and Note 13 to the financial statements.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements in relation to financial covenants on its borrowings for the financial years ended 31 December 2018 and 31 December 2017.

31. Fair value of financial assets and financial liabilities

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are not carried at fair value

The carrying amount of current financial assets and current financial liabilities recorded at amortised cost in the financial statements approximate their respective fair value at each reporting date due to the relatively short-term maturity of these financial instruments.

Management estimates that the carrying amounts of the finance lease payable approximate its fair value.

Fair value of financial instruments carried at fair value

The fair value of current financial liabilities in relation to derivative financial instruments is disclosed in Note 17 to the financial statements classified by level of fair value hierarchy are as follows:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Group and Company				
1 January 2017				
Derivative financial instrument				
– forward contracts	–	142,034	–	142,034

As at 1 January 2017, the fair value of the forward exchange contracts was determined based on valuation techniques with observable market data. The fair value of forward exchange contracts were analysed as Level 2. There was no transfer between the levels in prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Convergence to SFRS(I)s

The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

There is no significant impact on revenue recognition for the Group when the new standard is effective.

Cumulative translation differences

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative foreign exchange reserve for all foreign operations to Nil at the date of transition, and reclassified the cumulative foreign exchange reserve as at 1 January 2017 determined in accordance with FRS to retained earnings. After that date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Convergence to SFRS(I)s (Continued)**(b) Reconciliation of the Group's equity reported in accordance with FRSs to SFRS(I)s**

	Reported under FRS US\$	Effects of applying SFRS(I) 1 US\$	Reported under SFRS(I) US\$
At 1 January 2017			
ASSETS			
Non-current assets	17,096,253	–	17,096,253
Current assets	22,699,443	–	22,699,443
Total assets	39,795,696	–	39,795,696
EQUITY AND LIABILITIES			
Equity			
Share capital	18,822,247	–	18,822,247
Reserves	2,465,071	(633,153)	1,831,918
Retained earnings	11,271,348	633,153	11,904,501
Total equity	32,558,666	–	32,558,666
Non-current liabilities	961,542	–	961,542
Current liabilities	6,275,488	–	6,275,488
Total liabilities	7,237,030	–	7,237,030
Total liabilities and equity	39,795,696	–	39,795,696
At 31 December 2017			
ASSETS			
Non-current assets	17,065,081	–	17,065,081
Current assets	24,585,302	–	24,585,302
Total assets	41,650,383	–	41,650,383
EQUITY AND LIABILITIES			
Equity			
Share capital	18,822,247	–	18,822,247
Reserves	2,698,605	(633,153)	2,065,452
Retained earnings	12,353,033	633,153	12,986,186
Total equity	33,873,885	–	33,873,885
Total non-current liabilities	893,938	–	893,938
Total current liabilities	6,882,560	–	6,882,560
Total liabilities	7,776,498	–	7,776,498
Total liabilities and equity	41,650,383	–	41,650,383

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Convergence to SFRS(I)s (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRSs to SFRS(I)s (Continued)

Explanatory notes to reconciliation

SFRS(I) 1

The Group elected the optional exemption on cumulative translation differences. Cumulative foreign exchange reserve of US\$633,153 as at 1 January 2017 determined in accordance with FRS was reclassified to retained earnings. The cumulative foreign exchange reserve of the Group decreased by US\$633,153 and retained earnings increased by the same amount as at 31 December 2017.

(c) Reconciliation of the consolidated statement of comprehensive income and consolidated statement of cash flows reported in accordance with FRSs to SFRS(I)s

There were no material adjustments arising from the transition from FRS to SFRS(I).

(d) Reconciliation to Company's equity reported in accordance with FRSs to SFRS(I)s

The Company transited to SFRS(I)s on 1 January 2017 hence, an opening statement of financial position was prepared on that date. There was no material impact to the Company's statement of financial position on the transition to SFRS(I)s. The relevant accounting policies on the financial instruments has been disclosed in Note 2.9 to the financial statements.

33. Authorisation of 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 2018 were authorised for issue by the Board of Directors on 29 March 2019.

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2019

Issued and fully paid-up capital	:	S\$31,306,638.73
Number of shares	:	209,971,310
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 13 MARCH 2019

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	265	32.36	254,959	0.12
1,001 – 10,000	385	47.01	1,907,201	0.91
10,001 – 1,000,000	158	19.29	15,260,900	7.27
1,000,001 and above	11	1.34	192,548,250	91.70
	819	100.00	209,971,310	100.00

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 13 March 2019 are as follows:–

Name	No. of Ordinary shares			
	Direct Interest	%	Deemed Interest	%
Intraco Limited	62,800,000	29.91	23,845,000 ⁽¹⁾	11.36
Yeo Hock Leng	27,839,496	13.26	–	–
Goh Seok Eng	20,760,684	9.89	–	–
Lee Low Meng	14,733,781	7.02	–	–
Syn Chung Wah/Quek Soh Mui Lucy	13,789,097	6.57	–	–
Chia Chue Soong/Tay Giok Siang	12,153,659	5.79	–	–
TH Investments Pte Ltd ⁽²⁾	–	–	86,645,000	41.27
Tat Hong Investments Pte Ltd ⁽²⁾	–	–	86,645,000	41.27
Chwee Cheng & Sons Pte Ltd ⁽²⁾	–	–	86,645,000	41.27
Ng San Tiong ⁽³⁾	–	–	86,645,000	41.27
Ng Sun Ho ⁽³⁾	–	–	86,645,000	41.27
Ng San Wee ⁽³⁾	–	–	86,645,000	41.27
Ng Sun Giam ⁽³⁾	–	–	86,645,000	41.27
Amtrek Investment Pte Ltd ⁽⁴⁾	–	–	86,645,000	41.27
Macondray Holdings Pte. Ltd. ⁽⁴⁾	–	–	86,645,000	41.27
Asia Resource Corporation Pte Ltd ⁽⁵⁾	–	–	86,645,000	41.27
Resource Pacific Holdings Pte Ltd ⁽⁶⁾	–	–	86,645,000	41.27
Chew Leong Chee ⁽⁷⁾	–	–	86,645,000	41.27
Melanie Chew Ng Fung Ning ⁽⁸⁾	–	–	86,645,000	41.27

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2019

- Note 1 Deemed Interest held through CGS-CIMB Securities (Singapore) Pte Ltd.
- Note 2 TH Investments Pte Ltd ("**THIPL**") owns 28.43% interest in INTRACO Limited ("**IL**"), which has an aggregate interest of 41.27% in the Company. THIPL is wholly owned by Tat Hong Investments Pte Ltd ("**Tat Hong IPL**"), which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd ("**CCSPL**").
- Each of THIPL, Tat Hong IPL and CCSPL is therefore deemed, pursuant to Section 7 of the Companies Act, Cap. 50 ("**Act**"), to have an interest in all the shares held by IL in the Company.
- Note 3 43.56% of the issued share capital of CCSPL is owned by The Chwee Cheng Trust ("**CCT**") constituted under a trust deed. Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam are the joint trustees of CCT.
- Pursuant to Section 7 of the Act, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam have a deemed interest in CCT's 43.56% shareholding interest in CCSPL and a direct interest in CCSPL.
- Accordingly, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam has a deemed interest in 28.43% of the issued share capital of IL which are held by THIPL and are therefore also deemed to be interested in all the shares held by IL in the Company.
- Note 4 Amtrek Investment Pte Ltd ("**AIPL**") owns 27.96% interest in IL, which in turn is wholly owned by Macondray Holdings Pte. Ltd. ("**MHPL**").
- As a result, each of AIPL and MHPL is deemed to have an interest in all the shares held by IL in the Company.
- Note 5 Asia Resource Corporation Pte Ltd ("**ARCPL**") owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 27.96% interest in IL. As a result, ARCPL is deemed to be interested in all the shares held by IL in the Company.
- Note 6 Resource Pacific Holdings Pte Ltd ("**RPHPL**") owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 27.96% interest in IL. As a result, RPHPL is deemed to be interested in all the shares held by IL in the Company.
- Note 7 Mr Chew Leong Chee ("**Mr Chew**") owns 25% direct interest and 30% indirect interest through his spouse, Dr Melanie Chew Ng Fung Ning ("**Dr Melanie Chew**"), in RPHPL. Mr Chew also owns 38.01% interest in ARCPL.
- RPHPL owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 27.96% interest in IL. As a result, Mr Chew is deemed to be interested in all the shares held by IL in the Company.
- Note 8 Dr Melanie Chew owns 30% direct interest in RPHPL. Dr Melanie Chew is also deemed to be interested in 25% and 38.01% interest in RPHPL and ARCPL respectively held by her spouse, Mr Chew.
- RPHPL owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 27.96% interest in IL. As a result, Dr Melanie Chew is deemed to be interested in all the shares held by IL in the Company.

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2019

TWENTY LARGEST SHAREHOLDERS AS AT 13 MARCH 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	INTRACO LIMITED	62,800,000	29.91
2	YEO HOCK LENG	27,839,496	13.26
3	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	23,845,000	11.36
4	GOH SEOK ENG	20,760,684	9.89
5	LEE LOW MENG	14,733,781	7.02
6	SYN CHUNG WAH OR QUEK SOH MUI LUCY MRS LUCY SYN	13,789,097	6.57
7	CHIA CHUE SOONG OR TAY GIOK SIANG	12,153,659	5.79
8	GOH SEOK KEE	6,828,000	3.25
9	HOE PUAY CHOO	3,906,533	1.86
10	GOH LUCY	3,750,000	1.79
11	MA FAT YING	2,142,000	1.02
12	GOH CHA BOH	908,000	0.43
13	TAN SOON LIM	800,000	0.38
14	LOW CHENG LUM	795,000	0.38
15	LAI WENG KAY	657,100	0.31
16	DBS NOMINEES PTE LTD	558,200	0.27
17	TAN NIANG SOR	505,000	0.24
18	ANG CHENG KIAT	500,000	0.24
19	LEE KOK PUN	500,000	0.24
20	CHIA SU HOONG JENNIFER @ TAY SU HOONG JENNIFER	457,000	0.22
		198,228,550	94.43

FREE FLOAT [Rule 1207(9) of the Listing Manual]

As at 13 March 2019, approximately 16.07% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company). The Company did not hold any treasury shares as at 13 March 2019.

Accordingly, the Company has complied with Rule 723 of the Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dynamic Colours Limited (the “Company”) will be held at Emerald Suite, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Thursday, 25 April 2019 at 10.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final tax exempt (one-tier) dividend of 0.5 Singapore cents per ordinary share for the year ended 31 December 2018. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Regulation 106 of the Company’s Constitution:–

Mr Chong Yee Siew Sebastian [See Explanatory Note (i)] **(Resolution 3)**
Mr Yeo Hock Leng [See Explanatory Note (ii)] **(Resolution 4)**
4. To approve the payment of Directors’ fees of S\$225,000 for the year ending 31 December 2019, to be paid quarterly in arrears. [See Explanatory Note (iii)] **(Resolution 5)**
5. To re-appoint BDO LLP as the Company’s Auditor and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares excluding treasury shares**

“That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), authority be and is hereby given to the Directors to:–

(a) allot and issue shares in the Company; and

(b) issue convertible securities and any shares in the Company pursuant to convertible securities

NOTICE OF ANNUAL GENERAL MEETING

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed ten per cent. (10%) of the total number of issued shares excluding treasury shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed after adjusting for:

- (i) new shares arising from the conversion or exercise of 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 this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares."

[See Explanatory Note (iv)]

(Resolution 7)

By Order of the Board

Chan Wan Mei
Company Secretary
Singapore, 10 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

- (i) Ordinary Resolution 3 is to re-elect Mr Chong Yee Siew Sebastian who will be retiring by rotation under Regulation 106 of the Constitution and if he is re-elected, he will remain as Chairman of the Nominating and Remuneration Committees and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited and Provision 2.1 of Principle 2 of the Code of Corporate Governance 2018. Mr Chong Yee Siew Sebastian also will be appointed as the Lead Independent Director in place of Mr Law Cheong Yan after the conclusion of the Annual General Meeting. Key information on Mr Chong is found on pages 146 to 150 of the Annual Report.
- (ii) Ordinary Resolution 4 is to re-elect Mr Yeo Hock Leng who will be retiring by rotation under Regulation 106 of the Constitution and if he is re-elected, he will remain as Executive Chairman and Group Managing Director. Mr Yeo is considered a Non-Independent Director. Key information on Mr Yeo is found on pages 146 to 150 of the Annual Report.
- (iii) Ordinary Resolution 5 is to seek approval for the payment of S\$225,000 to all Non-Executive Directors as Directors' Fees for the financial year ending 31 December 2019 (FY2018: S\$225,000). The exact amount of director's fees received by each Director for the financial year ended 31 December 2018 is disclosed in full in the Annual Report.
- (iv) The Ordinary Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed ten per cent. (10%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898, not less than seventy-two (72) hours before the time for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) 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.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Chong Yee Siew Sebastian and Mr Yeo Hock Leng are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	Mr Chong Yee Siew Sebastian	Mr Yeo Hock Leng
Date of Appointment	24 September 2007	2 July 1993
Date of last re-appointment	18 April 2016	21 April 2017
Age	70	63
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chong Yee Siew Sebastian as an Independent Director of the Company is recommended by the Nominating Committee and by the Board after reviewing and considering Mr Chong's qualifications, knowledge and skills, experience, suitability and contributions to the core competencies of the Board and Board Committees.	The re-election of Mr Yeo Hock Leng as the Executive Chairman and CEO is recommended by the Nominating Committee and the Board has accepted the recommendation after taking into consideration Mr Yeo's past experience and overall contribution since he was appointed.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Executive Area of Responsibility: - General management of the Company and its subsidiaries in China, Malaysia and Vietnam. - The strategic planning of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-executive Director, Chairman of the Nominating and Remuneration Committees	Executive Chairman and Group Managing Director
Professional qualifications	FCA (Singapore) FCPA (Australia)	Secondary
Working experience and occupation(s) during the past 10 years	Financial education	Executive Chairman and CEO of Dynamic Colours Limited

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chong Yee Siew Sebastian	Mr Yeo Hock Leng
Shareholding interest in the listed issuer and its subsidiaries	No	Mr Yeo holds 27,839,496 shares, which represents 13.26% of the issued and paid-up capital of the Company as at 13 March 2019 Mr Yeo is also deemed to be interested in the shares held by his wife, Mdm Goh Seok Eng (20,760,684 – 9.89%)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Yes. Spouse, Mdm Goh Seok Eng, is a fellow director and shareholder (see above).
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#	Yes	Yes
Past (for the last 5 years)	Since 2003 – Managing Director of Financial Info Analysis Pte Ltd	Nil
Present	Nil	Director of Hundred Vision Equity Sdn. Bhd.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chong Yee Siew Sebastian	Mr Yeo Hock Leng
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chong Yee Siew Sebastian	Mr Yeo Hock Leng
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Chong Yee Siew Sebastian	Mr Yeo Hock Leng
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable

DYNAMIC COLOURS LIMITED

Company Registration Number 199304233Z
(Incorporated in the Republic of Singapore)

IMPORTANT

- Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

PROXY FORM

I/We _____ (Name), _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of DYNAMIC COLOURS LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing * him/her/them, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at **Emerald Suite, Orchid Country Club**, 1 Orchid Club Road, Singapore 769162 on **Thursday, 25 April 2019 at 10.30 am** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	No. of Votes For	No. of Votes Against
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2.	Payment of final dividend		
3.	Re-election of Mr Chong Yee Siew Sebastian		
4.	Re-election of Mr Yeo Hock Leng		
5.	Payment of Directors' fees of S\$225,000 for the year ending 31 December 2019, to be paid quarterly in arrears		
6.	Re-appointment of BDO LLP as Auditors		
7.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50		

Dated this _____ day of _____ 2019

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. A proxy need not be a member of the Company.
5. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898, not less than seventy-two (72) hours before the time set 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 common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (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.

GENERAL:

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



21 Woodlands Close
#09-12 Primz Bizhub
Singapore 737854
Tel: +65 6752 3988
Fax: +65 6752 3788
www.dynamiccolours.com