



ENDURING

TECKWAH GROUP
ANNUAL REPORT 2018

From the Latin word *indurare* ('harden'), to endure reflects two meanings and one truth.

The first, is to suffer something difficult with patience. The second, is to last and remain in existence for a long time.

Perhaps nothing illustrates this better than diamonds, for two things can happen under pressure: things get crushed, diamonds are formed.

In 2018, Teckwah embodied these two meanings, with one leading to the other. Our ability to endure the global market turbulence with patience, has made us enduring. We outlasted the competition, celebrating our 50th anniversary milestone.

As Virgil would say: “Endure the present and watch for better things.” Here’s to 2019.

Chairman’s Message	04
Board of Directors	12
Executive Management	18
Operations Review	24
Financial Highlights	30
Corporate Structure	32
Geographic Network	33
Corporate Information	34
Contact List	35

Clarity

Our focus forward is on going digital, to poise ourselves for Industry 4.0. A seamless integration of processes, a revolution of related industries. A future-ready Teckwah.

Yet amidst our internal transformation, we also continued to seek external opportunities to evolve – in growth, synergy and collaboration.

Trade tariffs war, Brexit, and political tensions. In the volatile and uncertain landscape of 2018, clarity reigned in the vision of Teckwah – the need to endure through our ongoing journey of transformation.

Chairman's Message

2018 was a year that will be forever etched in the annals of our Group as it marked Teckwah's 50th anniversary.



DEAR SHAREHOLDERS,

2018 was a year that will be forever etched in the annals of our Group as it marked Teckwah's 50th anniversary. Having built a strong company from the hard work and dedication of multiple generations, we are now continuing this journey, transforming our organisation into one that is in sync with the digital era towards Industry 4.0 that Singapore is embarking on. Nevertheless, the activities and excitement of our 50th anniversary celebrations aside, FY2018 will also be remembered for the tough economic conditions brought about by the United States-China trade standoff, the uncertainty of the future of the European Union with impending "Brexit", rising nationalistic sentiments, higher commodity prices and political tensions in the world. While we should not dwell on these factors at length, they did have a bearing on the state of business sentiment and consumer confidence, which in turn, impacted not just our performance but the economy as a whole.

FINANCIAL REVIEW

For the financial year ended 31 December 2018 ("FY2018"), we consequently registered a 3.8% drop in revenue of S\$165.6 million as compared to S\$172.2 million for the financial year ended 31 December 2017 ("FY2017"). The lower revenue was on the back of lower demand from customers for both our Packaging Printing and Logistics businesses. In terms of profits, operating profit before tax was S\$11.4 million, representing a decrease of 32.4% from S\$16.9 million in FY2017, resulting from lower revenue as well as higher material and operation costs. Flowing from the decreased revenue, net profit attributable to shareholders also weakened by 36.8% from S\$11.3 million to S\$7.1 million.

We maintained a strong balance sheet with cash and cash equivalents of S\$36.1 million. This was an increase of 30.1% from S\$27.7 million as at 31 December 2017 on account of new finance leases taken up as at 31 December 2018. Positive cashflow of S\$8.9 million was generated net of dividend payments of S\$6.5 million, and investment in plant and equipment of S\$5.6 million. Our debt to equity ratio has correspondingly increased to 2.8% from 0.8% as at 31 December 2017.

RECOGNISING AND REWARDING SHAREHOLDERS

The Board is recommending a final dividend of 1.0 cent per share which, together with the interim dividend of 0.5 cent per share, represents a dividend yield of 3.3% based on our closing share price of S\$0.45 as at 31 December 2018. Our total payout amounts to 41.6% of our net profit. This is to reward and thank our shareholders for their steadfast belief in our Group and for staying invested in us even in difficult times.

While we seek to transform ourselves from within, we are also open to opportunities that lie outside of Teckwah.

ENDURING THROUGH CHALLENGES – EMERGING STRONGER FOR OPPORTUNITIES

Despite our weaker financial performance as compared to the previous years, we remain confident of our continued growth and profitability which is premised on our strong foundation, wide capabilities in both our Packaging Printing and Logistics businesses, and most importantly, our on-going and unceasing transformation into a technology-driven business of the future.

Our strong foundation is built on our unity of purpose and direction which all our staff and management embrace. We have continued this spirit in the forward initiatives we have undertaken to ready ourselves for the next business revolution. As a fully integrated total solutions provider for Packaging Printing and Logistics, with competencies in both manufacturing and service aspects of operations, we understand the total supply chain needs of our customers. This gives us great advantage in constantly providing value-add and best-in-class solutions. Therefore, we remain confident despite market challenges such as increasing operational costs, keen competition and disruptive technologies, as we have the necessary mettle to withstand external pressures.

We have also sought to improve our operations and increase our capabilities through continued investment in production equipment and hardware, integration and upgrading of our software systems and upskilling of our workforce, in order to take us to higher levels of productivity, efficiency and competencies.

One area that we are focusing on is the digitalisation of our business, to ready us for “Industry 4.0” where seamless integration of computing, networking and other processes are set to revolutionise and transform manufacturing and other industries.¹ Towards this end, we have embarked on a Digital Transformation & Innovation™ (DTI™) Programme which will enable us to undertake a transformative business model by leveraging digital technologies. Ultimately, we will embark on identified digital-enabled initiatives which are in line with our strategic focused areas and will transform us into a SMART organisation.

SEEKING EXTERNAL SYNERGIES

While we seek to transform ourselves from within, we are also open to opportunities that lie outside of Teckwah. We are mindful that organic growth may not provide enough impetus or momentum to take advantage of opportunities upstream or downstream. Hence, we are actively

seeking synergistic tie-ups, in the form of mergers and acquisitions, partnerships or other business collaborations, which will enable us to enhance our competencies and skills, augment our products and service offerings and further value-add to our customers. We are, after all, in an era of collaboration, the recent protectionist sentiments and trade brinkmanship notwithstanding, seeking to collectively navigate the challenges that technology is posing to current models of business.

LOOKING AHEAD

It is anticipated that the global economy will further decelerate in 2019 due to the weakening financial sentiment, uncertainty surrounding the outcome of the United States-China trade dispute, China’s economic slowdown and Europe’s uneven growth. These factors will occur on top of increasing political tensions between the world’s superpowers. As such, Singapore’s trade dependent economy is projected to be impacted as well. There is, however, room for optimism as ASEAN’s growth is still strong, outpacing the global economic growth rate. There will also be more opportunities for the free movement of goods and services within this trade bloc. This augurs well for us as a substantial part of our operations and markets lies within the region.

IN APPRECIATION

Finally, on behalf of the Board of Directors, I would like to thank our staff and management for their efforts and commitments during the past year. I would also like to extend my personal appreciation to Mr Lee Chee Sit who will be retiring as a member of the Board of Directors after this April’s Annual General Meeting, having served 27 years with dedication as Non-Executive Director. Mr Lee and the Board have contributed their expertise and knowledge which has ensured that our business stays the course and the effectiveness of the Group. Last but not least, my very warm appreciation goes out to our business partners, suppliers and customers and of course, our shareholders, for their continued support of Teckwah and its management. It will be another year of hard work for all of us, but we are excited for the possibilities that FY2019 will herald; for it is in seeing the opportunities that we are able to keep on growing, improving and perfecting!

THOMAS CHUA KEE SENG

Chairman and Managing Director

¹Ministry of Communications and Information. “Industry 4.0 and Singapore manufacturing.”

2018年德华集团年度报告

主席致辞

敬致全体股东，

作为德华迎来50周年庆典的特殊年份，2018年将永远镌刻在本集团的年鉴上。通过几代人的辛劳与奉献，公司取得了长足的发展。我们将继续砥砺前行，推动企业转型，和新加坡一起迈向工业4.0的数据时代。然而，在精彩纷呈、激动人心的50周年庆祝活动之余，2018年还见证了美中贸易僵局带来的经济困境，悬而未决的“英国脱欧”事件对欧盟未来造成的不确定性，愈演愈烈的民族主义情绪，上涨的大宗商品价格以及世界范围内的政治紧张局势。这些因素不宜在此处赘述，但它们确实打击了企业情绪和消费者信心，不仅影响到了我们的业绩，也挫伤了整体经济。

财务业绩摘要

由于上述原因，截至2018年12月31日的财年（“2018财年”），集团实现营收1亿6560万新元，与截至2017年12月31日的财年（“2017财年”）的1亿7220万新元相比，下降了3.8%。受客户需求降低的影响，包装印刷和物流业务的营收减少。就利润而言，由于营收降低，材料和运营成本增加，税前营运利润为1140万新元，比2017财年的1690万新元下降了32.4%。因营收下降，归属于股东的净利润也从1130万新元降至710万新元，降幅达36.8%。

集团的资产负债表保持强劲，本财年集团的现金及现金等价物达3610万新元，相较去年同期的2770万新元，同比增长了30.1%，主要是由于集团新增的融资租赁。扣除650万新元的股息支付额以及560万新元的工厂和设备投资后，实现正现金流890万新元。相应地，负债率从2017年12月31日的0.8%提高到2.8%。

感谢及回馈股东

董事会建议派发每股1.0分新元的年终股息，加上每股0.5分新元的中期股息，按照我们截止至2018年12月31日0.45新元的收盘价格，股息收益率为3.3%。全年派息总额占集团净利润的41.6%。此举旨在回馈我们的股东，感谢他们在困难时期依然坚定不移地信任并投资德华。

历经挑战，把握机遇，迈向辉煌未来

尽管与前几年相比，我们今年的财务业绩有所下滑，但我们始终对德华的持续发展和盈利能力充满信心，这是因为我们拥有坚实的经营基础，多元化的包装印刷及物流业务能力，同时坚持不懈地寻求转型升级，与时俱进。

我们在寻求内部转型的同时，
也不忘把握德华外部的机遇。

德华坚实的经营基础体现在全体员工和管理层团结一致，追求共同的使命和方向。秉承这样的精神，我们采取了一系列前瞻性举措，为迎接下一轮商业变革做好了充分准备。作为一家包装印刷和物流的全方位整体解决方案提供商，我们在竞争优势在于出色的制造工艺和服务质量，同时对客户的全供应链需求了如指掌。因此，我们能持续提供高附加值的一流解决方案。尽管存在运营成本增加、竞争激烈和技术颠覆等市场挑战，我们依然信心满满，因为我们拥有抵御外部压力所需要的毅力和拼搏精神。

我们还力图通过对生产设备和硬件的持续投资、软件系统的整合与升级，以及员工的技能提升来改进运营质量，增强业务能力，从而提高生产力、生产效率和竞争力。

为迎接“工业4.0”时代下计算、网络互联和其他技术深度融合在制造业及其他行业掀起的革命和转型潮流¹，我们正在致力于德华业务的数码化。为实现这一目标，我们推出了“数码转型和创新（DTI™）计划”，利用数码技术推动商业模式变革。我们的最终目标是，按照重点战略领域的需要，落实各项数码化举措，使德华成为一个智慧型企业。

寻求外部协同效应

我们在寻求内部转型的同时，也不忘把握德华外部的机遇。我们深知，仅靠内生增长，可能无法提供足够的发展动力或势头，导致错失行业上下游的发展机遇。因此，我们正在积极探索具有协同效应的合作机会，通过并购、合伙等业务合作方式，增强我们的竞争力和技能，提升我们的产品和服务，进一步为客户创造附加值。尽管近期保护主义情绪和贸易边缘政策卷土重来，但我们依然处于合作的时代，需要汇集各方之力，共同应对技术变革给现行商业模式带来的挑战。

展望未来

2019年，由于金融市场情绪不振、美中贸易争端结果的不确定性、中国经济放缓和欧洲经济增长不平衡，全球经济预计将进一步减速。除了这些因素之外，世界超级大国之间的政治紧张局势也将进一步恶化。因此，新加坡的贸易依赖型经济将受到负面影响。然而，东盟的经济增长依然强劲，高于全球平均增速，因此我们有理由保持审慎乐观。东盟内部也会涌现更多产品和服务自由流动的机会。这对我们而言是利好，因为我们的大部分业务和市场位于东盟地区。

致谢

最后，我谨代表董事会向全体员工和管理层致以最诚挚的谢意，感谢他们过去一年来的辛勤努力与奉献。我还要感谢李志石先生，作为非执行董事在德华服务27年后，他将于今年4月年度股东大会结束后以董事身份荣休。李先生和董事会的各位董事为公司贡献了他们的专业技能和知识，确保集团的前进方向不偏离，保证了集团的高效成长。最后，我要衷心感谢各位合作伙伴、供应商和客户，当然还有我们的股东，谢谢各位对德华和管理层一如继往的支持。2019财年对我们来说又将是艰苦奋斗的一年，但其中蕴含的机会也令我们振奋不已，正是因为看到了未来的种种机遇，我们才能不断发展、进步、精益求精！

蔡其生

主席兼董事经理

¹通信和信息部，《工业4.0和新加坡制造业》

Increasing operational costs, keen competition and disruptive technologies. Throughout 2018, Teckwah remained undaunted in the face of these market challenges.

Like the carat of diamonds, our leadership continued to weigh in at the helm of Teckwah.

In 2018, we attested that the heft of their collective expertise, knowledge and dedication was priceless.

Carat

Board of Directors



MR GERARD TAN WEE SENG
Independent Director

MR JOHN LIM HWEЕ CHIANG
Independent Director

MR NG NAI PING
Executive Director

MR LIM LEE MENG
Independent Director

MR LEE CHEE SIT
Non-Executive Director

MR THOMAS CHUA KEE SENG
Chairman and Managing Director

MS MAI AH NGO
Executive Director

MR PETER CHAN PEE TECK
Lead Independent Director



MR THOMAS CHUA KEE SENG, 65

Chairman and Managing Director

Mr Chua was appointed Chairman of the Board of Directors (“the Board”) of Teckwah Industrial Corporation Ltd (“the Company”) on 1 April 2002, having been appointed to the Board on 30 June 1983 and having served as Deputy Chairman since July 1999. He is also a member of the Nominating Committee. He is the Immediate Past President of the Singapore Chinese Chamber of Commerce and Industry, and a former Nominated Member of Parliament.

Mr Chua began his career with Teckwah in May 1979 joining as a Management Trainee. Thereafter he progressed and worked his way up the organisation’s hierarchy and was eventually promoted to Managing Director in 1989.

Mr Chua obtained his Bachelor of Arts Degree from the Nanyang University in 1979.



MR NG NAI PING, 64

Executive Director

Mr Ng was appointed as Executive Director of the Board on 15 February 1995 and was re-elected to the Board on 26 April 2018. He has served as a member of the Audit Committee from 1995 to December 2002 when he stepped down in compliance with principle 11 of the Code of Corporate Governance.

Mr Ng joined Teckwah in February 1995 as the Corporate Planning and Finance Director. He is presently the Executive Director, responsible for the Group’s Finance, Corporate Communication, InfoComm

Technology and the Logistics business which includes third-party logistics, reverse logistics, and mission critical parts logistics management. He began his career with the United Overseas Bank Group in 1980 and during his 15 years with the Bank, gained experience in trade banking, real estate financing, corporate banking, and regional branch management.

Mr Ng graduated from the Nanyang University in 1980 with an Honours degree in Business Management & Business Finance.



MS MAI AH NGO, 64

Executive Director

Ms Mai was appointed as Executive Director of the Board on 25 June 1993 and was re-elected to the Board on 26 April 2018. She is currently in charge of Packaging Printing business and Human Resource.

Ms Mai began her career with Teckwah in 1982 as a Sales & Marketing Assistant Manager and was promoted to Production Planning Manager in 1985. In 1988, she was transferred to Teckwah Printing to assume the post of Deputy Managing Director, and was promoted to Managing Director in 1989. In 1990, she was re-assigned as Operations Director, and was responsible for the Group’s

operations in Singapore. In 1993, her portfolio was increased to include overseeing the Group’s operations in Singapore, Malaysia, China and Indonesia, and in 1998 and 1999, she was responsible for the Group’s Supply Chain business and Technology Licensing Programme. Her position and job scope require her to travel regularly between the various countries to develop and identify potential licenses and set up operations in the Asia Pacific region.

Ms Mai graduated from the Nanyang University in 1977 with a Bachelor of Arts degree and obtained her Executive MBA from the National University of Singapore in 1997.



MR PETER CHAN PEE TECK, 59

Lead Independent Director

Mr Chan was appointed as Independent Director of the Board on 12 September 1991. He has been the Chairman of the Nominating Committee since 20 March 2002, and a member of the Audit Committee since 15 April 1994. Mr Chan was appointed as the Lead Independent Director since 23 February 2006. He was re-elected to the Board on 25 April 2017.

Mr Chan started his private equity career in 1987 with one of the earliest World Bank-sponsored private equity firms in Asia focusing on small and medium growth

enterprises. This was followed by him joining ING Baring Asia Private Equity as Managing Director in 1996 to start up its investment programme across ASEAN, India, China, Taiwan and South Korea before he set up Crest Capital Asia in 2004.

Mr Chan graduated with a Bachelor of Accountancy (Hons) from the National University of Singapore and is a Fellow Member of both the Institute of Singapore Chartered Accountants as well as the Certified Public Accountants of Australia.

**MR JOHN LIM HWEI CHIANG, 63**

Independent Director

Mr John Lim was appointed as Independent Director on 17 February 1994. He has been the Chairman of the Remuneration Committee since 20 March 2002, a member of the Audit Committee since 15 April 1994 and a member of the Nominating Committee since 20 March 2002. He was re-elected to the Board on 25 April 2017.

Mr John Lim is Co-Founder, Group Chief Executive Officer and Executive Director of ARA Asset Management Limited. He is a Non-Executive Director of ARA Asset Management (Fortune) Limited, ARA Trust Management (Suntec) Limited, ARA Asset Management (Prosperity) Limited and Hui Xian Asset Management Limited. Mr Lim is also the Chairman of APM Property Management Pte Ltd. and Suntec Singapore International Convention & Exhibition Services Pte Ltd.

Mr Lim is Chairman of the Asia Pacific Real Estate Association ("APREA"), the Consultative Committee to the Department of Real Estate, National University of Singapore, Straits Real Estate and Lim Hoon Foundation. He is a Patron of Jurong Spring Citizens'

Consultative Committee and the Securities Investors Association of Singapore ("SIAS"). He is also a board member of Singapore Chinese Chamber of Commerce and Industry.

Mr Lim has more than 30 years of experience in the real estate industry and has received many notable corporate awards. These included the PERE Global Awards 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr Lim, along with the Board of Directors of ARA, was also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

Mr Lim holds a Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

MR LEE CHEE SIT, 59

Non-Executive Director

Mr Lee was appointed as Non-Executive Director of the Board in 1991. He was appointed as member of the Remuneration Committee on 28 April 2004. He was re-elected to the Board on 25 April 2017.

Succeeding the founder of Lian Thye & Co Pte Ltd, Mr Lee is currently the Executive Director, and is responsible

for the strategic planning and general management of the company. He has more than 20 years of experience in the toy industry.

Mr Lee will be retiring as a director at the forthcoming Annual General Meeting of the Company and will not be seeking re-election as a Director.

**MR LIM LEE MENG, 63**

Independent Director

Mr Lim was appointed as Independent Director of the Board on 18 February 1994. He has been the Chairman of the Audit Committee since 15 April 1994, and is a member of the Remuneration Committee. He was re-elected to the Board on 26 April 2018.

Mr Lim is an executive Director of LeeMeng Capital Pte Ltd. He is also an Independent Director of Tye Soon Ltd and ARA-CWT Trust Management (Cache) Limited.

Mr Lim graduated from the Nanyang University in May 1980 with a Bachelor of Commerce (Accountancy). He also holds a Master of Business Administration Degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

**MR GERARD TAN WEE SENG, 65**

Independent Director

Mr Tan was appointed as Independent Director of the Board on 20 February 2013 and was re-elected to the Board on 27 April 2016. He was also appointed as member of the Audit Committee on 20 February 2013.

Mr Tan is a retired partner from PricewaterhouseCoopers LLP, Singapore. He is also a Director of Singapore Deposit Insurance Corporation Ltd. He currently also serves on the boards and committees of various not-for-profit organisations.

Mr Tan holds a Bachelor of Accountancy (Hons) degree from the University of Singapore and is a Chartered Accountant of the Institute of Chartered Accountants (England & Wales). He is also a Fellow of the Institute of Singapore Chartered Accountants, Fellow of the Singapore Institute of Directors and Fellow of the Singapore Computer Society.

Executive Management

GROUP TOP MANAGEMENT

MR THOMAS CHUA KEE SENG, 65
Chairman and Managing Director

MS MAI AH NGO, 64
Executive Director

MR NG NAI PING, 64
Executive Director

GROUP SENIOR MANAGEMENT

MS JOYCE CHAN CHOY YIN, 53
Human Capital Director

Ms Chan joined Teckwah in June 2014 as Human Capital Director. She is responsible for the Group’s Human Resource Management and Training and Development.

Ms Chan brings with her more than 20 years of working experience in both private and public sectors, with cross functional expertise in corporate planning, finance, management accounting and business analytics, and organisation development and excellence that helps strengthen organisational effectiveness and efficiency.

Ms Chan graduated from the National University of Singapore with a Bachelor of Business Administration (Honours).

MR CHENG CHEE KONG, 50
Business Development Director
Teckwah Logistics Pte Ltd

Mr Cheng joined Teckwah in February 2014 and is responsible for business development for the Group’s Logistics business.

Mr Cheng has more than 25 years of experience working in manufacturing, multinational freight and third party logistics companies. He started his career as an Industrial Engineering Engineer in a metal industry and paper mill company. In 1995, Mr Cheng made a career switch to the supply chain industry and progressed into management positions in areas of operations, project implementation, supply chain consultancy and business development. He was previously a Regional Director heading a sector for the Asia Pacific region with one of the world’s largest logistics groups.

Mr Cheng graduated from Queensland University of Technology with a Master of Engineering Science in Engineering Management and a Master of Science in Logistics from Nanyang Technological University.

MS CHUA AI LING, 37
Group Business Development Director

Ms Chua joined Teckwah in 2006 as a Management Trainee under the Logistics business. In 2008, she was appointed as Project Manager, responsible for designing and implementing new business solutions and proposals for the Group.

Ms Chua was seconded to Shenzhen, China, in 2009 to spearhead various global supply chain projects for European and American brand owners. In 2010, she was promoted to Regional Business Development Manager and was stationed in Shanghai, China, to take charge of business development in greenfield areas as well as the management of regional customers within the APAC region.

Ms Chua returned to Singapore in 2014 and expanded her portfolio to take charge of the Teckwah Digital Solutions team. In 2015, she was promoted to General Manager, Regional Business Development. She was promoted to Group Business Development Director the following year, and is responsible for growing the Group’s Packaging Printing and Logistics related businesses in the region.

Ms Chua graduated from the University of Toronto, Canada, with a Bachelor of Science (Honours) in Psychology and Business Management.

GROUP SENIOR MANAGEMENT

MR JAMES CHUA KEE HIN, 58

Senior Regional Business Operations Director
Teckwah Value Chain Pte Ltd

Mr Chua joined Teckwah in 1987. He oversees the business operations of the Group's Packaging Printing business in Singapore, Malaysia and Indonesia, and is responsible for ensuring that the operational key performance indicators are achieved.

Mr Chua was seconded to Malacca, Malaysia, to set up Teckwah's first overseas subsidiary in 1990. He returned to Singapore in 1995 and was appointed Project Manager to take charge of new projects including Digital On-demand Printing. He was Sales and Marketing Manager in 1997 before he was promoted to General Manager of Teckwah Printing and Packaging Pte Ltd in 1999 and subsequently to Director in 2001 to oversee the Group's Packaging Printing related business.

Prior to his current appointment, Mr Chua was Senior Regional Business Director, a role he had assumed since 2008, where he was responsible for building and strengthening business relationships with customers and achieving optimal level of efficiency and effectiveness for the Group's Packaging Printing business.

Mr Chua graduated from Ohio State University, USA, with a Bachelor of Science in Business Administration.

MR GOH YIN SHIAN, 40

Group Financial Controller

Mr Goh joined Teckwah in July 2016 as Group Financial Controller. He leads the accounting, taxation, finance and business controls operations and ensures the proper maintenance and timely provision of accurate financial information of the Group. He is responsible for organising the financial resources and procuring financial support for the Group and its subsidiaries to meet the Group's strategic objectives.

Mr Goh has more than 15 years of working experience in the financial stewardship of large organisations that span multiple businesses and countries. He holds a Bachelor of Commerce (Honours) degree from the University of Western Australia and an Executive MBA from Nanyang Technological University of which he was the 2013 Furama Ltd Endowed Book Prize winner.

He is a Fellow of CPA Australia, a Fellow Chartered Accountant of Singapore (ISCA) and an ASEAN CPA by the ASEAN Chartered Professional Accountant Coordinating Committee (ACPACC).

MR PATRICK KAM SONG TECK, 48

Technology and Productivity Director
Teckwah Value Chain Pte Ltd

Mr Kam joined Teckwah in 2001. He was appointed as Technology and Productivity Director in September 2016, responsible for identifying areas for productivity improvement in the Group's Packaging Printing business operations and searching for sustainable technology that will bring breakthrough improvements to the Company's print capability and quality.

Mr Kam has more than 25 years of experience in the manufacturing industry. He joined Teckwah as Quality Assurance Engineer for the Packaging Printing business before he was promoted to Manufacturing Manager in 2007 to oversee the Packaging Printing production.

Prior to his new appointment, Mr Kam was the Business Operations Director of the Group's Packaging Printing business and was in charge of the operations in Singapore and Iskandar, Malaysia.

Mr Kam graduated from the University of Western Sydney, Australia, with a Bachelor of Engineering Management.

MR KEW KEE HING, 55

Senior Business Operations Director
Teckwah Logistics Pte Ltd

Mr Kew joined Teckwah in March 1999 as Operations Manager and was responsible for the Packaging Printing business operations. Mr Kew is currently overseeing the Group's Logistics business operations in the region and is responsible for achieving optimal level of operational efficiency and effectiveness.

Over the years, Mr Kew has been involved in both the Packaging Printing and Logistics business operations. He has many years of experience in the electronics manufacturing industry in Singapore.

Mr Kew graduated from the National University of Malaysia with a Bachelor of Arts.

MR NG CHEE MUN, 48

InfoComm Technology Director

Mr Ng joined Teckwah in June 2012 as InfoComm Technology Director. He is in charge of managing the integration of information and communication technologies into the Group's business worldwide and the adoption of technologies to enable the delivery of differentiating solutions that expand and create new business streams for the Group.

Mr Ng has more than 18 years of experience in the IT industry. He has managed and led teams to implement comprehensive IT solutions for various departments in the public sector.

Mr Ng graduated from the National University of Singapore with a Bachelor of Computer Science (Honours), a Master of Computing and a Master of Science. He also holds a Master of Science in Computer Science with Distinction from the Faculty of Computer Science, Naval Postgraduate School in Monterey, California USA.

MS TAN PECK HOON, 56

Corporate Planning and Enterprise Risk Management Director

Ms Tan joined Teckwah in November 2002 as Group Financial Controller. She was promoted to Finance Director in January 2006 and at the same time took up the role of Business Compliance Director. In 2008, her portfolio was expanded to include Corporate Planning functions.

Ms Tan relinquished her Finance portfolio in 2013 after she was appointed Enterprise Risk Management Director. In her new role, she is responsible for ensuring overall compliance of the Group's business processes by working closely with the Risk Management Committee and internal risk category owners. From January 2016, she took over the Group's Quality Systems and Assets Protection Management functions.

Ms Tan began her career as an Audit Assistant, and progressed to work in multinational companies covering areas in planning and analysis, financial reporting and system implementation for the Asia Pacific region.

Ms Tan graduated from the National University of Singapore with a Bachelor of Accountancy. She is a Chartered Accountant of the Institute of Singapore Chartered Accountants (ISCA).

Cut

The enduring strength of diamonds is rooted in its tight lattice of carbon atoms, connecting in different directions.

To this end, we advocate a 360-degree integration of processes, chains and solutions – whether it be a holistic understanding of the needs of a whole supply chain, or our calibrated solutions of value-added or best-in-class.

Full Integration. Total Solutions.
A Cut above the Rest.

Operations Review

We garnered several industry and partner awards, as testament to our best practices in all areas of our operations.

FINANCIAL PERFORMANCE

Revenue for the financial year ended 31 December 2018 (“FY2018”) fell by 3.8% to S\$165.6 million as compared to revenue of S\$172.2 million for the financial year ended 31 December 2017 (“FY2017”). The decreased revenue was attributed to lower revenue from both the Group’s Packaging Printing and Logistics businesses which experienced lower demand as well as price pressures from customers. Group operating profit before tax fell by 32.4% to S\$11.4 million from S\$16.9 million in FY2017 on account of lower revenue and higher cost of operations. The Group registered net profit attributable to the shareholders of the company of S\$7.1 million, which was a 36.8% decrease from FY2017’s net profit of S\$11.3 million.

Singapore operations were the largest contributor to the Group’s revenue, at 56.0%. China operations were the next largest contributor at 29.8%. The main contributors to our revenue

in terms of market segment came from customers in the Information and Communication Technologies (ICT), Consumer Electronics, Industrial Chemical and Food and Confectionery industries.

From the second quarter of FY2018, the Group has presented its segmental information as Packaging Printing segment and Logistics segment. The Group has reclassified entities which provide print fulfilment services with no printing facilities into the Logistics segment. With the reclassification, the Packaging Printing segment consists of design, print, packaging, turnkey kitting/co-packing and fulfilment management solutions. The Logistic segment comprises of aftermarket logistics solutions, namely service parts logistics and reverse logistics, and demand chain logistics which includes global fulfilment, last mile delivery and vendor-managed inventory solutions.

Accordingly, for FY2018, the Packaging Printing segment’s revenue fell by 4.5% to S\$91.3 million due to decreased demand from some existing customers in Singapore and

China from the Food and Confectionery industry. Resulting from the lower revenue as well as higher materials and operating costs, operating profit before tax decreased by 93.2% to S\$0.3 million. The Group’s Logistics segment registered lower revenue of S\$73.3 million, a 3.1% decrease over the same period last year, due to weaker demand from the segment’s Singapore customers in the ICT industry. Its operating profit before tax was 20.1% lower as compared to FY2017, at S\$10.3 million, arising from lower revenue from weaker demand from some existing customers.

Statement of Financial Position

The Group’s balance sheet comprised total assets of S\$193.5 million as at 31 December 2018, a 0.4% increase compared to S\$192.7 million in FY2017. Current assets rose by 4.8% to S\$96.5 million on lower trade and other receivables, and lower inventories level offset by the increase in cash and cash equivalents. Non-current assets fell by 3.6% to S\$97.1 million from a decrease in property,

plant and equipment, land use rights and joint venture offset by the increase in other assets.

Total liabilities decreased by 0.1% to S\$36.2 million as at the end of the year. Current liabilities decreased by 9.4% to S\$29.6 million mainly due to the payment of trade and other payables; non-current liabilities rose by 86.2% to S\$6.5 million on the back of increased finance leases.

Statement of Cash Flow

For FY2018, the Group generated positive cash flow of S\$20.0 million from operations after working capital changes as compared to S\$19.9 million for the corresponding period in the previous year. This increase was mainly attributed to the absence of the paying down of trade and other payables from the completion of the one-time warehouse storage and distribution project.

The Group continued to make investments which amounted to S\$5.6 million in additional plant and

equipment in Singapore and for subsidiaries in China, Malaysia and Indonesia. Dividend payout amounted to S\$6.5 million. As at 31 December 2018, the Group’s cash and cash equivalents was approximately S\$36.1 million, S\$8.4 million higher than the corresponding period in FY2017.

The Group’s gearing ratio rose to 2.8%, an increase from 0.8% as at the end of last year mainly due to an increase in finance leases.

CORPORATE HIGHLIGHTS

In ensuring that the Group remains at the forefront of its industries, we continued to make investments in new plant, machinery and equipment in Singapore as well as overseas. Our Packaging Printing segment invested in new machines, as part of its machine upgrading process. It also commenced the use of robotics in its end-packing operations having already

upgraded several of its press and post-press equipment. This significantly reduced reliance on labour and allowed for redeployment of staff to more value-added functions.

Our Logistics segment also invested in logistics facilities in Singapore, Thailand and Indonesia. Enhancing our capabilities in spare part logistics, we have built two facilities in Thailand and Singapore to support one of our newly acquired customers. Our Logistics segment has further expanded its footprint in Indonesia by assisting in the setting up of five additional Consumer Experience Centres in Jakarta, Surabaya, Bandung and Semarang in partnership with the Group’s longstanding customer for after-market support services for the consumer electronics industry. Our subsidiaries in China, Thailand and Japan also secured new projects and successfully implemented several of our proprietary software for clients.





Continuing the Transformation Journey to a Business of the Future

As Teckwah turned 50, we embarked on yet another transformation journey – towards Industry 4.0. Teckwah launched the Digital Transformation & Innovation™ (“DTI™”) Programme in Singapore with longtime industry partner, SIMTech. The DTI™ Programme will help align Teckwah with Singapore’s transformation into a SMART nation. It will gear us towards becoming a SMART organisation by enabling us to leverage on digital technologies to improve our products, service delivery and business processes. Significantly, the programme is being spearheaded by our next generation leaders, ensuring Teckwah’s leadership continuity.

Another area of focus during the past year was cybersecurity. Recent breaches on the national scale have demonstrated its importance. At Teckwah, we strive to keep pace with best practices in the industry. We have put in place stringent measures to ensure the robustness of our systems to protect the Group’s and customers’ data. Ongoing enhancement of internal workflows and operational systems were also carried

out. We continued to automate processes where feasible as well as leverage and customise existing technology for our needs.

50th Anniversary Celebrations

The highlight of the year was undoubtedly the Group’s 50th Anniversary Gala Dinner on 17 August 2018 which was themed on the ‘1960s’, commemorating the decade of the Group’s inception in 1968. Aside from the celebratory dinner which was graced by the Group’s overseas subsidiaries as well as many of its long-term business partners and friends, the Group held a series of commemorative events leading up to the celebrations, many of them with a social outreach element in keeping with the underlying anniversary theme of sharing the fruits of labour in the Group’s 50 years of business success.

INDUSTRY CERTIFICATIONS AND AWARDS

During the year, the Group attained new industry certifications and successfully converted existing certifications. Our Packaging Printing overseas subsidiary converted from ISO9001:2008 to

ISO9001:2015 (Quality Management System) and from ISO14001:2004 to ISO14001:2015 (Environmental Management System). The Logistics segment also attained certifications for TAPA FSR 2017 and converted Good Distribution Practice for Medical Devices from HAS TS-010R2.1:2012 to SS 620:2016.

We garnered several industry and partner awards, as testament to our best practices in all areas of our operations. Teckwah’s Pixel Red building was recertified the Green Mark Award (Gold) by the Building & Construction Authority of Singapore. In attaining this recertification, new Energy, Water and Environment and Green Procurement strategies and policies have been implemented to uphold Pixel Red’s Green Mark Gold rating.

As for business accolades, we were conferred the Innovation Finalist Award at Dell EMC’s Service Partner Forum 2018, for our project submitted under the “Transformational” category which recognises projects that would yield significant benefit to Dell EMC.



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (“CSR”) INITIATIVES

As a corporate citizen, we are committed to value creation for all our stakeholders. Our aim is to essentially reduce our negative environmental impact while simultaneously increase our positive societal impact. Our sustainability and CSR efforts will be comprehensively covered in our 2018 Sustainability Report, which will be available on-line later in the year.

Sustainability Projects

Our Packaging Printing facility in Singapore introduced a new plate making process using a semi-automatic thermal computer-to-plate device. The device was developed with the aim of minimising energy use and environmental impact, while simultaneously maximising safety. The new device has been able to reduce energy use during the plate production by as much as 60%, while energy reduction during standby mode has been as high as 73%.

Employee Programmes

Our programmes for employees of our Group encompassed training and upgrading programmes to equip staff with the necessary skills to remain relevant in the dynamic and technology-driven economy as well as other enrichment programmes to provide them with a well-rounded holistic development. Some of the training programmes provided during the year included Good

Manufacturing Practice Awareness training and the Integrated Management System Awareness training.

Dialogues between management and staff, staff appreciation initiatives such as the annual “Staff Appreciation Day”; Outstanding Staff Appreciation Awards; and well-being and social programmes such as monthly games, health programmes and medical checks were organised for the overall welfare of staff and to foster a spirit of unity, belonging and inclusiveness among all.

Corporate Social Responsibility

Our partnership of educational institutes through internships, organised visits and on-the-job training as well as scholarship awards for deserving and promising students of Temasek and Ngee Ann Polytechnics were once again a core feature of our efforts at helping the industry develop the next generation of talents. Teckwah also hosted four students from Dunman High School for two weeks as part of the School’s Education and Guidance programme. The attachment enabled the students to gain insights into the industry and experience an authentic work environment.

As a home-grown organisation, Teckwah was honoured to once again be a sponsoring partner of National Day Parade 2018, our ninth year of sponsorship.

We also contributed to various charitable organisations and causes throughout the year. We donated 302 food

hampers to Club Rainbow (Singapore) for families of children suffering from major chronic and potentially life-threatening illnesses. The company-wide donation drive was met with overwhelming response from all staff, who actively participated in the initiative, from purchasing the food supplies to packing and delivering the hampers to the beneficiaries. Teckwah also matched the staff monetary contribution to the charity which helped to subsidise therapy sessions for the centre’s children. A cheque donation was presented to Ren Ci Hospital during the 50th Anniversary Gala Dinner. Staff also volunteered at the hospital’s Charity Food Fair, where they set up a stall selling healthy food items to raise money for the hospital. Staff also visited the Lee Ah Mooi Old Age Home, where they interacted and spent time with the residents. The Group’s overseas subsidiaries initiated their own CSR programmes. One of the subsidiaries in Indonesia undertook a fundraising drive for earthquake and tsunami victims in Lombok and Palu, respectively. The staff also visited orphanages in Batam.



德华集团年度报告

业务回顾

财务业绩

集团截至2018年12月31日的财年（“2018财年”）实现营收1亿6560万新元，比截至2017年12月31日（“2017财年”）的1亿7220万新元低3.8%。营收降低的原因在于客户的需求减小，业务的价格也承受压力，导致集团的包装印刷和物流业务的营收降低。由于营业收入降低、成本增加，集团税前营运利润从2017财年的1690万新元下降到1140万新元，降幅为32.4%。可归属于公司股东的集团净利润为710万新元，比2017财年的1130万新元低36.8%。

新加坡业务贡献的收入依然居首，占集团收入的56.0%。中国业务次之，占29.8%。对集团收入贡献较大的客户来自资讯通讯科技、消费电子、工业化学品和食品及糖果行业。

自2018财年第二季度起，集团以包装印刷和物流业务来呈报业绩。集团将提供印刷服务而无印刷设施的业务归入物流业务。重新分类后，包装印刷业务包括设计、印刷、包装、统包式装配/代工和实施管理解决方案。物流业务包括售后物流解决方案，即配件物流和逆向物流，以及需求链物流，其中需求链物流包括全球物流、最后一公里配送和供应商管理的仓储解决方案。

2018财年，由于食品和糖果行业的部分现有新加坡和中国客户的需求减缓，包装印刷业务的收入也相应地下降4.5%至9130万新元。由于收入下降及材料和营业成本增加，税前营业利润同比减小93.2%至30万新元。由于资讯通讯科技业的新加坡客户的物流需求降低，集团的物流业务收入降至7330万新元，相

较去年同比下降3.1%。由于部分现有客户的需求降低导致营收减少，集团的税前营运利润比2017财年降低了20.1%至1030万新元。

财务状况

截至2018年12月31日，集团总资产达1亿9350万新元，与2017财年的1亿9270万新元相比，增加了0.4%。集团的流动资产增加了4.8%至9650万新元，现金及现金等价物的增加抵消了应收贸易账款和其他应收款项以及库存的减少。集团非流动资产同比下降3.6%至9710万新元，原因在于物业，厂房和设备，土地使用权和合资企业的减少抵消了其他资产的增加。

截至年底，总负债减少0.1%至3620万新元。流动负债减少9.4%至2960万新元，主要是由于应付贸易帐款和其他应付款项的支付；由于融资租赁增加，非流动负债增长86.2%至650万新元。

现金流

2018财年，集团在营运资本变动后产生的正现金流为2000万新元，而去年同期则为1990万新元。这一增长主要是由于完成一次性仓储配送项目之后，未支付应付贸易款项和其它应付账款。

集团继续对新加坡的其他厂房和设备以及中国、马来西亚和印度尼西亚的子公司投资，投资额达560万新元。集团的股息支付额为650万新元。截至2018年12月31日，集团的现金和现金等价物约为3610万新元，比2017财年同期增长840万新元。

由于融资租赁增加，集团的净负债率增至2.8%，高于去年底的0.8%。

企业工作摘要

为确保公司继续保持行业领先地位，我们将继续对新加坡及海外的新工厂、机器和设备进行投资。作为机器升级流程的一部分，我们的包装印刷业务对新机器进行了投资。该业务已对若干印刷和印后加工设备进行了升级，并开始在外包装操作中采用机器人技术。这些措施大幅降低了对劳动力的依赖，并可以将员工调动至能提供更多增值的岗位。

集团的物流业务也对新加坡、泰国和印度尼西亚的物流设施进行投资。我们增强了备件物流方面的能力，在泰国和新加坡扩充了设施，为我们的一位新客户id提供支持。我们通过协助在雅加达、泗水、万隆和三堡垄港市设立五个额外的客户体验中心，将物流业务进一步扩展到了印度尼西亚，通过与集团的长期客户精诚合作，为消费性电子产品行业提供售后支持服务。我们的中国、泰国和日本子公司也签订了新项目，并为客户成功安装了几项客户专用软件。

继续转型成为未来企业

随着德华创立50周年，我们朝着工业4.0踏上了又一次转型之旅。德华与长期合作伙伴，新加坡制造技术研究院(SIMTech)合作推出了数码转型与创新计划(DTI™)。DTI™计划将帮助德华与时俱进，赶上新加坡转型为智慧国的发展步伐。通过这项计划，我们将充分利用数码科技来改善产品、服务交付和业务流程，进而成为一家智慧型企业。值得关注的是，该计划由我们的新一代领导人牵头推进，有助于确保德华领导层的持续性。

去年的另一个关注焦点是网络安全。最近，全国范围内的网络攻击

我们获得了多项行业和合作伙伴奖项，这是我们在所有业务领域履行最佳实践的印证。

事件凸显了网络安全的重要性。在这一方面，德华始终致力于达到业内最佳实践的标准。我们实行了严格的措施，以确保系统的稳健性，保护集团和客户的数据。另外，我们也不断增强内部工作流程和业务营运系统。我们在可行的情况下持续实行流程自动化，并通过运用现有科技及技术革新来满足公司的需求。

50周年庆典活动

过去一年的亮点无疑是2018年8月17日的集团50周年庆祝晚宴，晚宴主题为‘1960年代’，以此来纪念公司1968年创立之初的岁月。这场庆祝晚宴因集团的海外子公司和众多长期业务伙伴及友人的到来而变得熠熠生辉，此外，集团还在晚宴前夕举办了一系列纪念活动，其中很多活动都含有与周年庆主题”纪念集团50年商业成就，共享劳动成果”相呼应的社会关怀元素。

行业认证与奖项

年内，集团获得了新的行业认证并成功转变了现有认证。我们的包装印刷海外子公司从ISO9001:2008转变为ISO9001:2015（质量管理体系），并从ISO14001:2004转变为ISO14001:2015（环境管理体系）。物流业务也获得了TAPAFSR 2017认证，并将医疗器械良好分销实践从HAS TS-010R2.1:2012转变为SS 620:2016。

我们获得了多项行业和合作伙伴奖项，这是我们在所有业务领域履行最佳实践的印证。德华的Pixel Red大厦被新加坡建设局再次授予绿色建筑标志金奖。在再度获奖的同时，我们实施了新的能源、水和环境及绿色采购策略和政策，以捍卫Pixel Red的绿色建筑金奖地位。

在营商奖项方面，我们在2018年戴尔易安信全球服务伙伴论坛上入围了创新奖决赛，原因在于我们在“变革”类别下提交的项目获得认可，该项目将为戴尔易安信带来显著的效益。

可持续发展和企业社会责任倡议

作为企业公民，我们致力于为所有利益相关者创造价值。德华的目标是切实减少对环境的负面影响，同时增加对社会的积极影响。2018年可持续发展报告将全面涵盖我们的可持续发展和企业社会责任的举措，今年晚些时候该报告将在网上发布。

可持续发展项目

新加坡包装印刷子公司引进了新型制版流程，将半自动化热计算机用于制版设备。该设备的开发目的是实现耗能量和环境影响的最小化，同时达到安全性最大化。新设备已能够将制版过程中使用的能源降低60%，而待机模式下的耗能量降幅高达73%。

员工项目

我们为集团员工提供的计划包括培训和提升计划，使员工掌握必要的技能，在蓬勃发展、科技引领的经济环境中与时俱进，并且为员工提供其他的人才增益计划，促进员工的全方位整体发展。今年提供的部分培训计划包括良好生产规范意识培训和综合管理系统意识培训。

为了弘扬团结精神、归属感和包容性以及增进全体员工的福祉，我们组织了一系列活动，包括管理层与员工的对话、年度“员工感谢日”等员工感谢活动，设立优秀员工感谢奖，开展福利和社群关怀计划，例如每月游戏、健康计划和体检活动。

企业社会责任

我们通过为新加坡淡马锡和义安理工学院的优秀学生提供实习机会、组织访问活动、开展在职培训以及颁发奖学金的方式，与教育机构保持良好的合作关系，这些依然是我们协助本行业培育下一代人才所采取的核心举措。作为学校教育和指导计划的一部分，德华还对新加坡德明政府中学的四名学生提供了为期两周的指导。这样的校企合作措施能够让学生深入地了解行业知识并亲身体验真实的工作环境。

作为本土企业，德华很荣幸再次成为2018年新加坡国庆庆典的赞助合作伙伴，这是我们第九年为国庆庆典提供赞助。

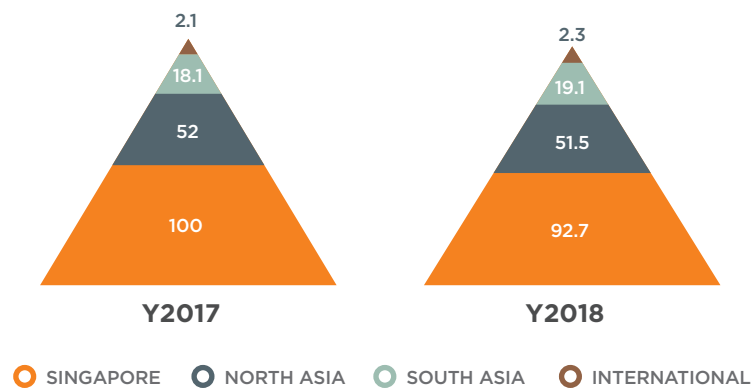
在这一年中，我们还向多个慈善机构和慈善项目进行捐赠。我们向新加坡彩虹俱乐部中患有慢性病和潜在危及生命疾病的儿童的家庭捐赠302个食品礼篮。公司范围内的捐赠热潮得到了广大员工的热烈响应，从购买食品、包装以及向受益人亲自赠送礼篮，员工们积极参与到这一活动中。德华还发动员工向慈善机构进行货币捐助，为患病儿童提供治疗补贴。在50周年庆祝晚宴上，德华向新加坡仁慈医院捐赠了一张支票。员工还自发参加了医院的慈善食品义卖会，他们设立摊位，出售健康食品，积极为医院筹款。员工们还去到了李亚妹安老院，与老人们交流互动，共度美好时光。集团的海外子公司也组织了自己的企业社会责任活动。位于印度尼西亚的子公司分别为龙目岛和帕卢岛的地震和海啸灾区募捐。员工还探望了巴淡岛的几家孤儿院。

Financial Highlights

	Y2017	Y2018
Equity attributable to owners of the company (\$'000)	152,668	152,828
Cash & cash equivalents (\$'000)	27,710	36,052
Total Assets (\$'000)	192,749	193,540
Total Debt (\$'000)	1,166	4,300
Net Tangible Assets (\$'000)	145,967	146,137
Interim Dividend per share (cents)	0.50	0.50
Final Dividend per share (cents)	1.00	1.00
Special Dividend per share (cents)	1.00	-
Earnings per share (cents)	4.82	3.04
Return on Equity (%)	7.4%	4.7%
Return on Turnover (%)	6.5%	4.3%
Return on Total Assets (%)	5.8%	3.7%
Debt to Equity (%)	0.8%	2.8%
Net Tangible Assets per share (cents)	62.50	62.57
Average staff strength	1,412	1,489
Staff cost (\$'000)	45,910	45,819
Staff cost per employee (\$'000)	32.51	30.77
Revenue (\$'000)	172,192	165,608
Revenue per employee (\$'000)	121.95	111.22
Profit before Tax (\$'000)	16,854	11,393
Profit before Tax per employee (\$'000)	11.94	7.65
Number of shares in absolute numbers	233,550,248	233,550,248

	Y2017	Y2018
Profit attributable to owners of the company (\$'000)	11,254	7,109
Wt average no. of shares ('00,000)	2,335.50	2,335.50
No. of shares ('00,000)	2,335.50	2,335.50

Revenue by Geographical Segments (S\$ Million)



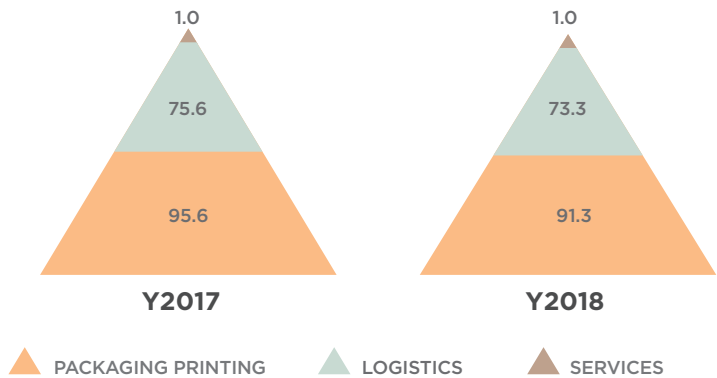
Revenue



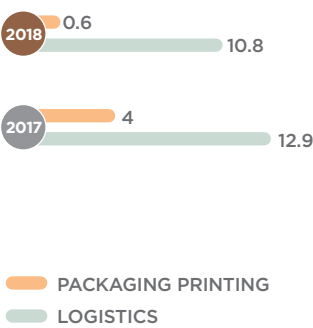
Profit Before Tax (S\$ Million)



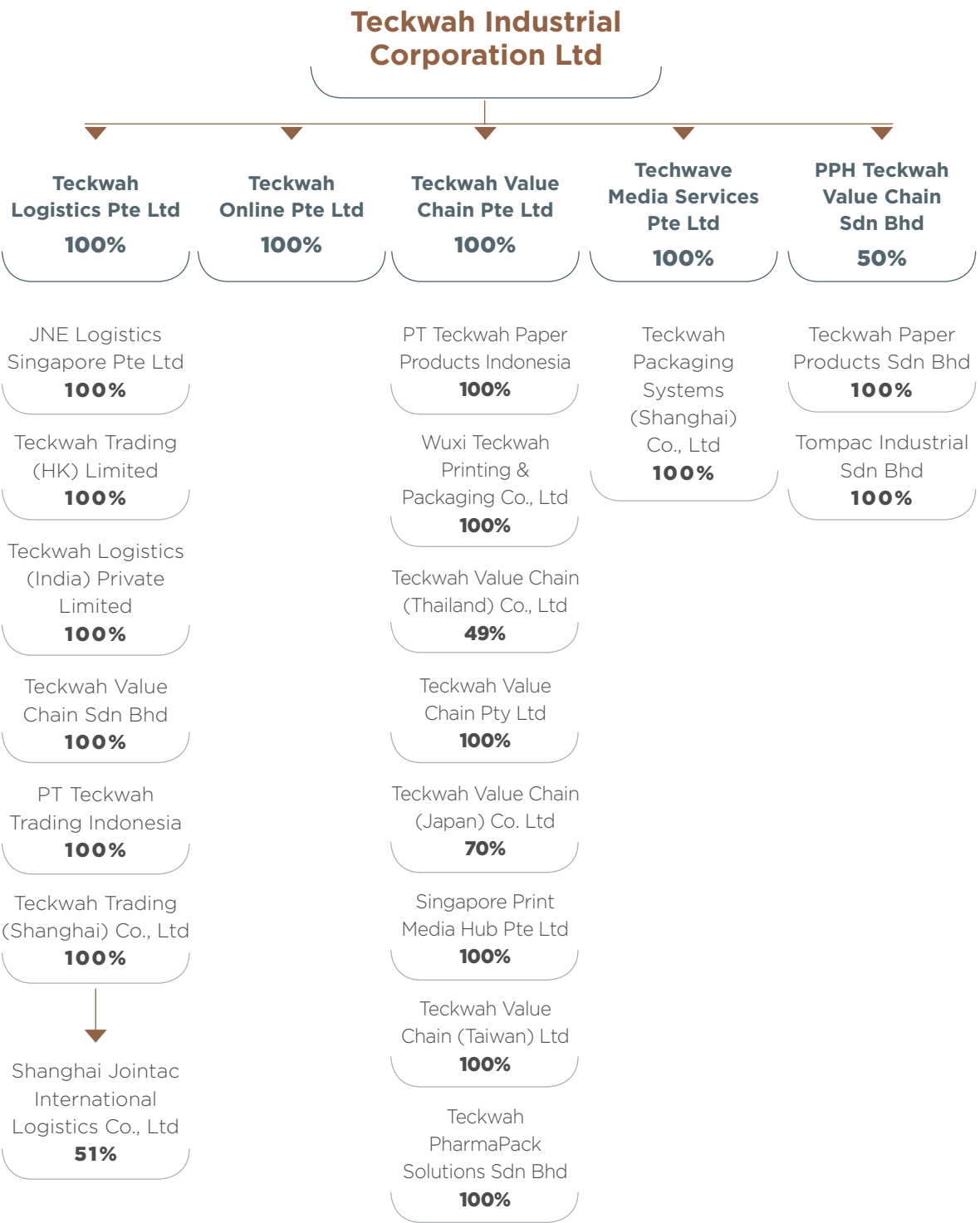
Revenue by Business Segments (S\$ Million)



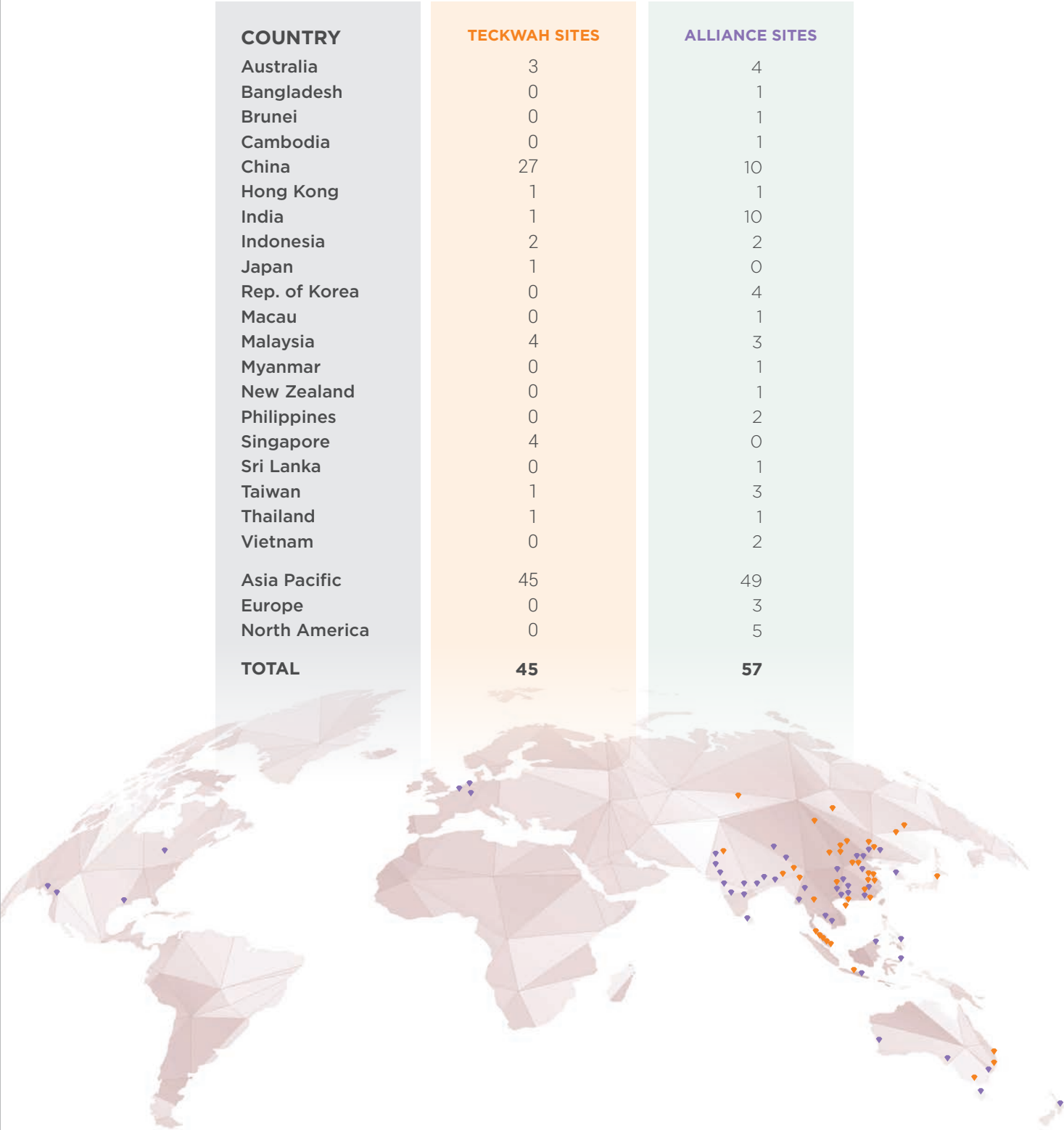
Profit Before Tax by Business Segments (S\$ Million)



Corporate Structure



Geographic Network



Corporate Information

FOUNDER

The late Chua Seng Tek

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Thomas Chua Kee Seng

EXECUTIVE DIRECTORS

Mai Ah Ngo

Ng Nai Ping

LEAD INDEPENDENT DIRECTOR

Peter Chan Pee Teck

DIRECTORS

Lee Chee Sit

John Lim Hwee Chiang

Lim Lee Meng

Gerard Tan Wee Seng

GROUP TOP MANAGEMENT

CHAIRMAN & MANAGING DIRECTOR

Thomas Chua Kee Seng

EXECUTIVE DIRECTORS

Mai Ah Ngo

Ng Nai Ping

GROUP SENIOR MANAGEMENT

HUMAN CAPITAL DIRECTOR

Joyce Chan Choy Yin

BUSINESS DEVELOPMENT DIRECTOR

Cheng Chee Kong

GROUP BUSINESS DEVELOPMENT DIRECTOR

Chua Ai Ling

SENIOR REGIONAL BUSINESS OPERATIONS DIRECTOR

James Chua Kee Hin

GROUP FINANCIAL CONTROLLER

Goh Yin Shian

TECHNOLOGY AND PRODUCTIVITY DIRECTOR

Patrick Kam Song Teck

SENIOR BUSINESS OPERATIONS DIRECTOR

Kew Kee Hing

INFOCOMM TECHNOLOGY DIRECTOR

Ng Chee Mun

CORPORATE PLANNING & ENTERPRISE RISK MANAGEMENT DIRECTOR

Tan Peck Hoon

AUDIT COMMITTEE

CHAIRMAN

Lim Lee Meng

Peter Chan Pee Teck

John Lim Hwee Chiang

Gerard Tan Wee Seng

REMUNERATION COMMITTEE

CHAIRMAN

John Lim Hwee Chiang

Lee Chee Sit

Lim Lee Meng

NOMINATING COMMITTEE

CHAIRMAN

Peter Chan Pee Teck

Thomas Chua Kee Seng

John Lim Hwee Chiang

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PARTNER-IN-CHARGE

Lee Boon Teck

Appointment effective from financial year ended December 31, 2016

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Lim Guek Hong ACIS

Michelle Lo Swee Oi ACIS

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FINANCIAL REPORT

Corporate Governance Report	38
Directors' Statement	64
Independent Auditor's Report to the Members of Teckwah Industrial Corporation Ltd	68
Statements of Financial Position	74
Consolidated Statement of Profit or Loss	76
Consolidated Statement of Comprehensive Income	77
Statements of Changes in Equity	78
Consolidated Statement of Cash Flows	80
Notes to Financial Statements	82
Additional Information for Directors Seeking Re-election	160

Corporate Governance Report

THE Board of Directors (“Board”) and Management of Teckwah Industrial Corporation Ltd (“Teckwah” or “the Company”) and its subsidiaries (“the Group”) are committed to continually achieving and maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2012 (“the 2012 Code”) revised and issued by the Council on Corporate Disclosure Governance Committee on 2 May 2012.

While there will always be business risks, we believe these standards are the cornerstones in building a sound corporation and in protecting the interests of the shareholders.

Good corporate governance enables a company to be more transparent and forward looking. In addition, it is an effective safeguard against fraud and dubious financial engineering.

Teckwah upholds the principle that all involved in governance and managing the Group must act with high standard of ethics, integrity and transparency.

This report sets out the Company’s corporate governance processes and structures that are in place throughout the financial year ended 31 December 2018 (“FY2018”). Given the Group’s size and stage of development, we believe the overall corporate governance we have in place is appropriate and complies with the requirements of the Code and provides explanation for deviation (Principle 3 – Chairman and CEO should be separate persons and Principle 9 – Disclosure on Remuneration). For easy reference, the principles of the 2012 Code are set out in italics in this report.

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 2012 Code and will apply to the 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.

A. BOARD MATTERS

PRINCIPLE 1: Board’s Conduct of its Affairs

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 and the committees are formed to assist the Board in the execution of its responsibilities, meet at least once in every quarter or as convened when necessary. To facilitate directors’ attendance at meetings, the dates of Board and Board Committee meetings are scheduled up to one year in advance. Telephonic attendance and conference via audio-visual communication at Board meetings are allowed under the Company’s Constitution. Besides physical meetings, the Board and the Board Committees may also make decisions on important matters concerning the Company by way of circulating resolutions in writing for the directors’ approval. The Board is responsible for:

- (a) Formulating and approving the broad policies, strategies and financial objectives of the Group and monitoring its performance;

Corporate Governance Report

- (b) Approving annual budgets, major funding proposals, investment and divestment proposals;
- (c) Overseeing the processes for evaluating the adequacy of internal controls and risk management;
- (d) Approving quarterly and full year results announcements, annual report and audited financial statements;
- (e) Reviewing management performance and providing guidance to executive management;
- (f) Approving the nominations of board directors;
- (g) Ensuring adequacy of necessary financial and human resources to meet the Group’s objectives;
- (h) Providing entrepreneurial leadership and setting strategic aims;
- (i) Setting the Company’s values and standards and ensuring obligations to shareholders and others are understood and met;
- (j) Assuming the responsibility for corporate governance, compliance with the Companies Act and, rules and requirements of regulatory bodies;
- (k) Identifying key stakeholder groups and recognising that their perceptions affect the Group’s reputation; and
- (l) Considering sustainability issues as part of strategic formulation.

All directors exercise due diligence and independent judgement and make decisions objectively in the best interest of Teckwah.

In the year under review, the number of board meetings and committee meetings held and attended by each member are as follows:

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings attended	No. of Meetings Held	No. of Meetings attended	No. of Meetings Held	No. of Meetings attended	No. of Meetings Held	No. of Meetings attended
Thomas Chua Kee Seng	4	4					1	1
Ng Nai Ping	4	4						
Mai Ah Ngo	4	4						
Lee Chee Sit	4	4			1	1		
Peter Chan Pee Teck	4	3	4	3			1	1
Lim Lee Meng	4	4	4	4	1	1		
John Lim Hwee Chiang	4	3	4	3	1	1	1	1
Gerard Tan Wee Seng	4	4	4	4				

Corporate Governance Report

The Board has adopted a set of internal guidelines on matters requiring Board approval. Matters which are specifically reserved for Board decision in the Company’s internal guidelines include the following corporate events and actions:

- » material acquisitions and disposal of assets, corporate or financial restructuring and share issuances and dividends;
- » approval of results announcements;
- » approval of the annual report and financial statements;
- » convening of members’ meetings;
- » annual budgets;
- » interested person transactions;
- » matters covered by statutory requirements, Company’s Constitution, Best Practices Guide, and Corporate Governance;
- » matters relating to or having significant impact on the interest of shareholders, including communications to shareholders, or affecting the capital structure of the Company;
- » matters that may have material impact on the system of internal control; or significantly exposes the Company and the Group to financial or operating risks;
- » matters relating to proper corporate and financial governance of performance of the Company and the Group;
- » matters recommended by the Remuneration Committee relating to the Managing Director (“MD”), executive directors and senior managers who report directly to the MD, and any other significant matters affecting employees; and
- » all other matters in the reasonable view of Management is of such material nature that require the approval of the Board.

The Board has established a number of committees namely the Nominating Committee (“NC”), Audit Committee (“AC”), Remuneration Committee (“RC”) and Enterprise Risk Management Committee (“ERM”) to assist in the execution of responsibilities more effectively. These committees function within clearly defined terms of reference and operating procedures. Please refer to pages 44 to 57 of this report for further information on these Board Committees.

New directors are given a formal letter explaining his/her duties and obligations as a director. Newly-appointed directors are briefed on the Group’s business and Corporate Governance policies. Orientation programmes and familiarisation visits are organised, if necessary, to facilitate a better understanding of the Group’s operations. No new director was appointed during the year under review.

Corporate Governance Report

Directors are continually and regularly updated on the Group’s businesses and the regulatory and industry-specific environments in which the entities of the Group operate. Updates on relevant legal, accounting and regulatory developments may be in writing or disseminated by way of briefings, presentations and/or handouts. The Board attended a briefing conducted by a legal professional re: Summary of key changes to Listing Manual and 2018 Code of Corporate Governance. The Board was also briefed/updated on new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), adoption of new accounting standards during the year and new accounting standards issued but not effective by the external auditors. As part of the Company’s continuing education for directors, the Company Secretary circulates articles, reports and press releases issued by SGX-ST and Accounting and Corporate Regulatory Authority which are relevant to the directors. The directors may also attend other appropriate courses, conferences and seminars, at the Company’s expense. These include programmes run by the Singapore Institute of Directors and other professional bodies.

The Board has no dissenting views on the Chairman’s message for the year in review.

PRINCIPLE 2: Board Composition and Guidance

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.

The Board consists of eight directors out of whom three are executive directors, four non-executive and independent directors, and one non-executive director as follows:

Thomas Chua Kee Seng (Chairman)	Executive Chairman & MD
Mai Ah Ngo	Executive Director
Ng Nai Ping	Executive Director
Peter Chan Pee Teck	Lead Independent Director
John Lim Hwee Chiang	Independent Director
Lim Lee Meng	Independent Director
Lee Chee Sit	Non-Executive Director
Gerard Tan Wee Seng	Independent Director

As four of the Company’s directors are independent, the Company fulfills the 2012 Code’s requirement that at least half of the Board should comprise independent directors where the Chairman of the Board (the “Chairman”) and Chief Executive Officer (“CEO”) (or equivalent, in our case, the MD) is the same person.

Corporate Governance Report

Each year, the Board examines its size, composition, skills and core competencies of its members to ensure an appropriate balance of skills and experience. The Board comprised directors from different industries with vast experience and knowledge that collectively as a group provides the core competencies for the leadership of the Company. The Board includes one female director in recognition of the importance of and value of gender diversity; this represents 12.5% of the total Board membership. In terms of Board independence, there are four non-executive independent Directors out of a total of eight directors, hence the independent directors represent 50% of the total Board membership. In terms of age diversity, two Directors are between the ages of 50 to 59, representing 25% of the total Board membership, and six directors are between the ages of 60 to 69, representing 75% of the total Board membership. Consistent with the 2012 Code, Teckwah has no alternate director on its Board.

The composition of the Board and independence of each independent director are reviewed annually by the NC based on the provisions relating to independence as set out in the 2012 Code and Listing Rules. The NC requires each independent director to complete and execute a form declaring and affirming his independence and confirming that there exist no conditions that would impair his independence. This declaration of independence is tabled before the NC and, if accepted, the director's independence is then recommended by the NC to the Board. Taking into account the views of the NC, the Board is satisfied that Lim Lee Meng, Peter Chan Pee Teck, John Lim Hwee Chiang and Gerard Tan Wee Seng are independent in the light of the provisions of the 2012 Code and Rule 210(5)(d) of the Listing Rules.

The Board is of the view that the current Board size of eight directors is appropriate taking into account the nature and scope of the Group's operations, and, the depth and breadth of knowledge, expertise and business experiences of the directors to govern and manage the Group's affairs.

In line with corporate governance practices, non-executive directors are engaged to facilitate constructive challenge and help develop proposals on strategy; to review the performance of Management in meeting goals and objectives and monitor reporting of performance; and to meet regularly without the presence of Management. During FY2018, the independent directors led by the Lead Independent Director, met amongst themselves without the presence of the other directors, and the Lead Independent Director provided feedback to the Executive Chairman after such meeting, where appropriate.

As at 31 December 2018, three independent directors have served on the Board for more than nine years. They are Lim Lee Meng, Peter Chan Pee Teck and John Lim Hwee Chiang. The NC takes the view that a director's independence cannot be determined solely and arbitrarily on the basis on the length of time. A director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management in the best interests of the Group as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent directors. However, the Board and NC will exercise due and careful review, taking

Corporate Governance Report

into consideration other factors, in assessing the independence of a director. These factors include, inter alia, whether the directors have any interest, business, relationship and/or any other material contractual relationships with the Group which could reasonably be perceived to compromise their independence and interfere with the exercise of their independent business judgment with a view to the best interest of the Group. After due and careful rigorous review, the Board is of the view that all the three independent directors remain independent in their exercise of judgment and objectivity in Board matters.

PRINCIPLE 3 : **Role of Chairman and Chief Executive Officer ("CEO")**

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.

Thomas Chua Kee Seng is currently the Chairman of the Board and the MD of the Company. The Board has not adopted the recommendation of the 2012 Code to have separate directors appointed as the Chairman and MD. This is because the Board is of the view that there is already a sufficiently strong independent element on the Board to enable independent exercise of objective judgment of corporate affairs of the Company by members of the Board, taking into account factors such as the number of non-executive and independent directors on the Board, as well as the size and scope of its affairs. To enhance the independence of the Board, Peter Chan Pee Teck had been appointed as the Lead Independent Director since February 23, 2006. He is available to shareholders in situations where they have concerns or issues which communication through the normal channels with the Chairman or the chief financial officer (or equivalent) has failed to resolve or is inappropriate.

The Chairman, is responsible for:

- » leading the Board to ensure its effectiveness on all aspects of its role;
- » setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- » ensuring that the directors receive complete, adequate and timely information;
- » ensuring effective communication with shareholders;
- » encouraging constructive relations within the Board and between the Board and Management;
- » facilitating the effective contribution of non-executive directors in particular; and
- » promoting high standards of corporate governance.

Corporate Governance Report

PRINCIPLE 4 : Board Membership

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

Nominating Committee (“NC”)

The NC comprises the following members:

Peter Chan Pee Teck (Chairman)	Lead Independent Director
Thomas Chua Kee Seng	Executive Chairman & MD
John Lim Hwee Chiang	Independent Director

The NC is guided by its terms of reference which sets out its responsibilities. The terms of reference had been amended to be in line with the 2012 Code. The NC is responsible for :

- 1) Recommending to the Board the appropriate structure, size and composition of the Board, taking into account the size and needs of the Group, and the skill mix, qualities and experience required of directors to advance the business interests of the Group and to promote long-term shareholders’ value;
- 2) Recommending to the Board the size and composition of Board Committees to function competently and effectively;
- 3) Considering the suitability of nominees for appointment as new directors;
- 4) Considering the suitability of directors for re-nomination, having regard to their past contribution and performance, including attendance and participation at meetings;
- 5) Evaluating and assessing the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board. The NC has considered a number of factors including those set out in the Code, for the purpose of such evaluation and assessment;
- 6) Assessing on an annual basis, the independence of the directors;
- 7) Reviewing of Board succession plans for directors, in particular, the Chairman and MD; and
- 8) Reviewing of training and professional development programmes for the Board.

During FY2018, the NC met once, evaluating the Board’s performance and contribution of each Board member as well as discussing the re-appointment of directors who are subject to retirement at the forthcoming Annual General Meeting (“AGM”).

Corporate Governance Report

The Board believes in carrying out succession planning for its Top Management team to ensure continuity of leadership. Since 2013, there has been an on-going informal succession programme initiated by the Chairman and MD to prepare a team of future leaders for the Group’s long-term sustainability. The potential successors to key positions are identified and development plans instituted for them. All the members participated in the meeting and discussion.

For the purpose of its evaluation of the directors’ performance, the NC focuses on whether the directors, individually or collectively possess the background, experience, competencies in finance and management skills critical to the Group’s business as well as whether each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

Since February 2006, the Board had adopted a formal process for the selection and appointment of new directors, as set out below:

- 1) Search Process
 - » Identify the criteria that the prospective candidates should possess: age group, gender, qualifications, experience, personal attributes and skills.
 - » Source from recommendations of fellow Board members, business associates or trade organisations.
- 2) Selection Process
 - » After an initial assessment of the CVs, a verification check is conducted through various contacts such as friends, bankers, business associates, etc.
 - » Formal interview of short-listed candidates to assess their suitability and ensure that they are aware of the expectations and level of commitment required.
- 3) Nomination Process
 - » Recommend to the Board the nomination of successful candidates.
- 4) Appointment Process
 - » Based on the recommendations by the NC, the Board approves the appointment via a resolution.
 - » Board to approve any other appointments to sub-committees, if appropriate.
 - » Issue letter of appointment setting out the terms and conditions of appointment such as period of office, compensation and benefits, duties and responsibilities and termination.

Corporate Governance Report

New directors who are appointed by way of a board resolution after the NC has approved their nomination, shall submit themselves for re-election at the next AGM of the Company. Regulation 89 of the Company's Constitution requires one third of the Board to retire by rotation at every AGM. For avoidance of doubt, each director shall retire at least once every three years.

With effect from 1 January 2019, all directors, including executive directors, must submit themselves for re-nomination and re-appointment at least once every three years, in accordance with Rule 720(5) of the SGX-ST Listing Manual (the "Listing Rules").

Accordingly, the directors due for re-nomination and re-appointment at the forthcoming AGM under Regulation 89 of the Company's Constitution are Thomas Chua Kee Seng, Gerard Tan Wee Seng and Lee Chee Sit. Lee Chee Sit has expressed his intention to retire at the AGM and will not be seeking re-election as a director.

The NC has reviewed and recommended that Thomas Chua Kee Seng and Gerard Tan Wee Seng who are retiring under Regulation 89 of the Company's Constitution at the forthcoming AGM and who have submitted themselves for re-election, be re-elected as directors. The Board has accepted the recommendations of the NC.

The NC also investigated each director's other board appointments. It is part of the NC's duties to review and ascertain whether any director who has multiple board representations is able to and has been effectively carrying out his duties as a director in accordance with its internal guidelines. All directors are required to formally declare their other board representations. The Board had resolved to limit each director to hold not more than 6 directorships in listed companies including the Company. As at the end of the financial year end, it was confirmed that this restriction was complied with by all directors. The NC is also satisfied that all directors have discharged their duties adequately for FY2018.

Key information on each director is set out on pages 14 to 17. Information relating to directors seeking re-election as set out in Appendix 7.4.1 of the Listing Rules is set out on pages 160 to 167.

PRINCIPLE 5 : Board Performance

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.

Evaluation of the performance of the Board will be undertaken on a continuous basis by the NC with input from other Board members and the Chairman and MD. The NC has implemented a process requiring all directors to individually complete a board evaluation questionnaire on the effectiveness of the Board, Board Committees and the individual directors based on the assessment criteria. The Company Secretary collated and submitted the results of the questionnaires to the NC. The responses are then discussed by the NC for recommendations to be made to the Board.

Corporate Governance Report

The Chairman and MD will act on the results of the evaluation and where appropriate and in consultation with the NC, propose the appointment of new directors or seek the resignation of current directors. Any renewal or replacement of directors does not necessarily reflect their contribution to date and it may be driven by the need to position and shape the Board in line with the medium term needs of the Group and its business.

The NC has assessed the current performance of the Board, the Board Committees, the Chairman and MD to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, the Board Committees, the Chairman and MD, and of each individual director, had met their performance objectives.

No external evaluation facilitator was engaged for the financial year in review.

The factors considered in the individual review include directors' attendance and participation in and outside meetings, the quality of the directors' interventions and special skills and contributions made by the directors.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director.

The Board has maintained the position that the use of financial indicators, as prescribed in the 2012 Code, may not be a complete measurement of the Board's performance. More importantly, independent and objective perspective of the Board, individually and collectively, is the cornerstone in ensuring that all decisions made are balanced and well-considered, thus serving the best interests of the Group and fulfilling the Board's long term objective of enhancing shareholders' wealth.

The Board had adopted an internal guideline that seeks to address the competing time commitments that may be faced when a director holds multiple board appointments. The NC noted that, based on the attendance of the Board and Board committee meetings held during the financial year, the directors present were able to participate at the meetings to carry out their duties. The NC was therefore satisfied that where a director had multiple board representations and/or other major commitments, the director was able to and had been adequately carrying out his duties as a director of the Company.

PRINCIPLE 6 : Access to Information

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

The Board has separate and independent access to Management and the Company Secretary, and is free to request for additional information as needed to make informed decisions. In order to ensure that the Board is able to fulfill its responsibilities, Management provides the Board with quarterly management accounts. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise. Wherever necessary, Senior Management staff will be invited to attend the Board meetings to answer queries and provide detailed insights into their areas of operations.

Corporate Governance Report

The directors have been provided with the phone numbers and email particulars of the Company's Senior Management and Company Secretary to facilitate access.

The directors are well-informed by the Chairman and MD on the status of on-going activities between meetings. Where a decision has to be made before a Board meeting, a directors' resolution is circulated in accordance with the Constitution of the Company and the directors are provided with all necessary information to enable them to make informed decisions. The Company Secretary will also ensure that any queries made by the directors will be answered promptly by Management. Where the directors, either individually or as a group, in the furtherance of their duties, require professional advice, the Company Secretary can be approached to assist them to obtain independent professional advice, at the Company's expense. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretaries assist in scheduling Board and Board Committee meetings and prepare the agenda in consultation with the Board Chairman and Committee Chairmen and Executive Directors.

Either one of the Company Secretaries will be in attendance at meetings of the Board and Board Committees and prepare minutes of meetings. The Company Secretaries keep the directors informed of any significant developments or events relating to the Group and ensure compliance with all relevant rules and regulations.

B. REMUNERATION MATTERS

PRINCIPLE 7 : Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee ("RC")

The RC comprises the following members:

John Lim Hwee Chiang (Chairman)	Independent Director
Lim Lee Meng	Independent Director
Lee Chee Sit	Non-Executive Director

The function of the RC is to consider and determine, within its Terms of Reference, matters concerning remuneration for directors and key executives. The RC also reviews and recommends the general remuneration framework for each director and, where relevant, key management personnel and specific remuneration packages for the Executive Directors, in consultation with the Chairman and MD on behalf of the Board. The RC's recommendations, which cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind (as applicable).

Corporate Governance Report

In the process, the RC takes into account the performance of the Group, as well as individual directors and key executives, aligning their interest with those of the shareholders and linking rewards to corporate and individual performance. In its deliberations, the RC takes into account industry practices and norms in compensation. No director is involved in deciding his own remuneration.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC takes into consideration industry practices and norms in compensation. The services of an external remuneration consultant shall be engaged once in every two to three years. No external remuneration consultant was engaged for FY2018.

The RC is guided by its terms of reference that had been amended in line with the Code. During the year, the RC met once, discussing various remuneration matters and recording its decisions by way of minutes. All the Committee members were involved in the deliberations.

The RC's principal responsibilities are to:

- 1) review periodically and recommend to the Board an appropriate framework of compensation practices to attract, retain and motivate management staff of the required caliber to manage the Group successfully;
- 2) review and recommend the Chairman and MD's remuneration and those of the executive directors whose remuneration packages include a variable bonus component which is performance-related; and
- 3) review the recommendation of the executive directors, for approval of the Board, the fees of the non-executive directors and such payment as may be payable pursuant to Regulation 77 of the Company's Constitution.

The RC reviews the Company's obligations arising in the event of termination of the Chairman and MD, and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

PRINCIPLE 8 : Level and Mix of Remuneration

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

The Group advocates a performance-based remuneration system that is aligned to the interests of the shareholders, is flexible and responsive to the market and the performance of the Company and individual employees. The Company seeks to ensure that the level and mix of remuneration is competitive and relevant. The performance-based remuneration takes into account the risk policies of the Company, is symmetric with risk outcomes and is sensitive to the time horizon of risks.

Corporate Governance Report

The remuneration package for the Executive Directors comprises salary, bonus, profit sharing % and benefits-in-kind. The variable bonus element is based on the Company's and individual performance that is designed to incentivise good performance, leading to value creation of the Company. Executive Directors do not receive directors' fees.

Annual review of the remuneration is carried out by the RC to ensure that the remuneration of the Executive Directors and key executives commensurate with their performance and that of the Company, having regard to the financial and commercial health and business needs of the Group including market trends.

The Group presently has no employee share scheme or any short/long-term incentive scheme in place.

Non-executive directors do not have service contracts and are paid directors' fees subject to approval by shareholders at the AGM of the Company. The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2018 is appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company.

The Chairman and MD is currently on a 3-year renewable Service Agreement that commenced on 2 March 1994. The terms and conditions are subject to the review and approval of the RC.

PRINCIPLE 9 : Disclosure on Remuneration

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

The remuneration of individual directors, key executive officers of the Group and employees who are immediate family members of a director or MD is, however, not disclosed as the Company believes that disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration 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 RC will consider whether there is a requirement to institute such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the executive directors and key management personnel paid in prior years if the above exceptional circumstances materialise.

Corporate Governance Report

In view of the competitive pressures in the labour market on retaining talent, the Company believes that it is not in its best interest to disclose the details of the remuneration of the top five key management personnel who are not directors or the CEO as required by the Guideline 9.3 of the 2012 Code. The Company believes that given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Group's talent pool.

A breakdown, showing the level and mix of each individual director's remuneration payable for FY 2018 in bands of \$250,000 which provides sufficient overview of the remuneration of the directors is as follows:

	Remuneration Band \$	Salary %	Bonus, AWS and Profit Sharing %	Other Benefits %	Directors Fees %	Total %
Executive Directors						
Thomas Chua Kee Seng	1,000,000 to 1,499,999	50.53%	48.95%	0.52%	0.00%	100.00%
Mai Ah Ngo	500,000 to 749,999	54.13%	37.79%	8.08%	0.00%	100.00%
Ng Nai Ping	500,000 to 749,999	54.49%	37.50%	8.01%	0.00%	100.00%
Non-Executive Directors						
Lim Lee Meng	0 to 249,999	0.00%	0.00%	0.00%	100.00%	100.00%
Peter Chan Pee Teck	0 to 249,999	0.00%	0.00%	0.00%	100.00%	100.00%
John Lim Hwee Chiang	0 to 249,999	0.00%	0.00%	0.00%	100.00%	100.00%
Gerard Tan Wee Seng	0 to 249,999	0.00%	0.00%	0.00%	100.00%	100.00%
Lee Chee Sit	0 to 249,999	0.00%	0.00%	0.00%	100.00%	100.00%

James Chua Kee Hin (brother of Thomas Chua Kee Seng); Chua Bee Lay (sister of Thomas Chua Kee Seng); Chua Ai Ling (daughter of Thomas Chua Kee Seng and Mai Ah Ngo); Chua Xing Ling (daughter of Thomas Chua Kee Seng and Mai Ah Ngo) and Chua Bao Hui (daughter of Thomas Chua Kee Seng and Mai Ah Ngo) are employees of the Group whose remuneration exceeded \$50,000 each during the financial year, who are immediate family members of the directors.

The Company has taken a stance not to adopt the full disclosure under Guideline 9.4 of the 2012 Code because it is of the view that such disclosure of remuneration of employees who are immediate family members of a director or CEO may be detrimental to the Group's interest as it may lead to poaching of executives within a highly competitive industry. The Company also wishes to maintain confidentiality of remuneration within the Group for more harmonious and effective human resource management.

Corporate Governance Report

C. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10 : **Accountability and Audit**

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

The Board provides shareholders with quarterly announcements and annual financial statements within the timeframe in line with Rule 705 of the Listing Rules. In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, financial position and prospects.

To continually ensure the accountability of Management to the Board, Management provides the Board with appropriately detailed management accounts of the Group's performance, position, prospects on a quarterly basis. The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company, the Listing Rules and the Singapore Companies Act, Cap. 50 the Board's policy is that all shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

Prior to each Board meeting, Management provides the Board with information relevant to matters on the agenda for the meeting. In general, such information is provided at least 3 days in advance of the Board meeting. Management currently provides the annual budget to the Board members for endorsement. Management reports of the Group are also provided to the Board members on a quarterly basis.

In line with the Listing Rules, the Board provides a negative assurance statement to the shareholders in its quarterly announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial information false or misleading in any material aspect.

In addition, the Company, had pursuant to the amended Rule 720(1) of the Listing Rules, received undertakings from all its directors and executive officers that they each shall to the best of their abilities, in the exercise of their powers and duties, comply with the provisions of the Listing Rules and the Securities and Futures Act and will procure the Company to do so.

Corporate Governance Report

PRINCIPLE 11 : **Risk Management and Internal Controls**

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

The Board, through the Enterprise Risk Management Committee ("ERMC"), which was established on 9 November 2012, reviews the adequacy of the Group's risk management framework to ensure that robust risk management and internal controls are in place. The Company had adopted an Enterprise Risk Management Framework to enhance its risk management capabilities. The ERMC reports to the Board and is responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. During FY2018, the ERMC assisted the Board in the oversight of the Group's risk profile and policies, reviewed the adequacy and effectiveness of the Group's risk management system including the framework and process for the identification and management of significant risks, and reports to the Board on material matters, findings and recommendations pertaining to risk management. The AC provided oversight of the financial reporting risk and reviewed the adequacy and effectiveness of the Group's internal control and compliance systems.

The Risk Management Report is found on page 60 to 63.

The AC, with the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Company's systems of controls, including financial, operational, compliance and information technology controls, established by Management. The AC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the Group's framework of internal controls, addressing the financial, operational, compliance and information technology controls and risk management systems were adequate and effective to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value.

The Chairman and MD, Executive Directors and Management, at the financial year-end have provided a letter of assurance (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Corporate Governance Report

PRINCIPLE 12 : **Audit Committee**

The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

Audit Committee (“AC”)

The AC comprises the following members:

Lim Lee Meng (Chairman)	Independent Director
Peter Chan Pee Teck	Lead Independent Director
John Lim Hwee Chiang	Independent Director
Gerard Tan Wee Seng	Independent Director

The Board is of the view that the members of the AC have the appropriate accounting or related financial management expertise or experience to discharge the AC’s functions.

The AC’s roles and responsibilities are described in its terms of reference. The terms of reference had been amended to be in line with the recommendations of the Code. The AC meets at least 4 times a year.

The AC has the explicit authority to investigate any matter within its terms of reference, and has full access to, and the co-operation of Management with full discretion to invite any director or executive officer to attend its meetings. Minutes of the AC meetings are circulated to the Board for its information. The AC meets the internal and external auditors, without the presence of the Company’s Management at least once a year. In addition to its statutory functions, the AC considers and reviews any other matters as may be agreed by the AC and the Board. In particular, the duties of AC include:

- 1) Reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any announcements relating to the Group’s financial performance;
- 2) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group’s internal controls, including financial operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- 3) Reviewing the effectiveness of the Group’s internal audit function;
- 4) Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- 5) Making recommendations to the Board on the proposal to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

Corporate Governance Report

- 6) Reviewing significant risks or exposures with Management and the external and internal auditors and assessing the steps Management has taken to minimise such risks to the Group;
- 7) Reviewing interested person transactions as may be required by regulatory authorities or the provisions of the Companies Act;
- 8) Reviewing legal and regulatory matters that may have a material impact on the financial statements; and
- 9) Reporting actions and minutes of the AC to the Board of Directors with such recommendations, as the AC considers appropriate.

During the year, the AC discussed with Management the internal controls and financial reporting matters, reviewed the accounting principles and practices adopted by the Group and the effectiveness of the Group’s internal control systems.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the AC Meetings half yearly.

The Company’s external auditors, Deloitte & Touche LLP, in the course of performing their statutory audit, reviews the effectiveness of certain of the Company’s internal controls where a reliance on such internal controls results in more efficient audit procedures. Material non-compliance and internal control weaknesses noted during such a review are reported to the AC together with their recommendations. The AC reviews the findings of the auditors and the assistance given to them by Management.

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors.

The AC confirms that it has undertaken a review of the independence of the external auditors through discussions with external auditors as well as reviewing all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC’s opinion, affect the independence of the auditors. The aggregate amount of audit fees paid to the external auditors amounted to approximately S\$222,000/-.

The AC has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Listing Rules 712 and 715. In accordance with the requirements of Rule 716 of the Listing Rules, the AC and the Board are satisfied that the appointment of auditors for some of its foreign subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

Corporate Governance Report

The Company has a whistle-blowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. The Company will protect employees who have acted in good faith, from victimisation and harassment by their colleagues. The Company will treat all information received confidentially and protect the identity and interest of all whistle-blowers. There was no reported incident in FY2018.

Significant financial statement reporting matter

The significant issue considered by the AC in relation to the financial statements during the year ended 31 December 2018 is detailed below, alongside the actions taken by the AC to address the issue.

Significant matter considered	How the issue was addressed by the AC
Impairment of Goodwill	<p>The impairment of goodwill was identified by the external auditors as a key audit matter in its audit report for the financial year ended 31 December 2018. See page 69 of the Annual Report</p> <p>The AC considered the approach and methodology used by Management in its annual goodwill impairment assessment. The AC reviewed the reasonableness of key assumptions used in the calculations of the discount rates and growth rates during the period in the discounted cash flow projections, and was satisfied that these were appropriate. See Note 16 of the financial statements.</p>

PRINCIPLE 13 : Internal Audit

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

The AC has the mandate to authorise special reviews or investigations, where appropriate, in discharging its responsibilities.

The internal auditors support the AC in their role to assess the effectiveness of the Group's overall system of operational and financial controls as well as assist in the implementation of a risk management framework.

The internal audit function is currently outsourced to PricewaterhouseCoopers Risk Services Pte Ltd ("PwC"). In accordance with the risk-based internal audit plan approved by the AC, PwC conducts regular internal audit reviews of the Group's companies, recommends necessary improvements and enhancements of internal controls, and reports to the AC. The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

Corporate Governance Report

The AC approves the hiring, removal, evaluation and compensation of the outsourced internal auditors, and evaluated that the outsourced internal auditors possessed the necessary manpower, skills and expertise to carry out AC's directives.

The audit approach adopted by PwC is consistent with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

To ensure adequacy of the internal audit function, the AC reviews and approves the risk-based internal audit plan on an annual basis.

The annual internal audit plan is established in consultation with, but independent of, Management, and is reviewed and approved by the AC. Every quarter, the AC and Management review and discuss internal audit findings, recommendations and status of remediation at the AC meetings.

The internal auditors have unfettered access to the Group's documents, records, properties and personnel, including access to the AC.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

D. SHAREHOLDERS RIGHTS

PRINCIPLE 14 : Shareholder Rights and Responsibilities

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

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. The Company keeps all shareholders and other stakeholders informed of its corporate activities, including changes (if any) in the Company or its businesses which are likely to materially affect the price or value of its shares, in a timely and consistent manner.

Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at the general meetings of shareholders. Shareholders are also informed of the rules, including the voting procedures, that govern the general meetings of shareholders.

The Company's regulations allow a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Companies Act (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through CPF agent bank may attend and vote at each AGM.

Corporate Governance Report

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. Such notices are also published in the local newspapers and announced via SGXNET. Shareholders are encouraged to attend the Company's AGMs.

PRINCIPLE 15 : Communication with Shareholders

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

The Company does not practise selective disclosure. Price sensitive announcements including quarterly and full year results are released through SGXNET and subsequently posted on the Company's website. The Company's Organisation Development & Corporate Communication Department manages investor's relations and attends to their queries. All shareholders of the Company receive the Annual Report and notice of AGM which can be accessed from the Company's website.

The Company does not have a fixed dividend policy. The frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow and general business condition, development plans and other factors as the directors may deem appropriate. Notwithstanding the above, the Company has a good track record of paying dividends half-yearly/yearly. Any pay-outs are clearly communicated to shareholders via the financial results announcements through SGXNET.

While general meetings of the Company are the principal forum where shareholders may dialogue with the directors and Senior Management of the Company, the Chairman and MD has also conducted media interviews to give shareholders and the public deeper insights of the Group's business and strategies when opportunities present themselves.

PRINCIPLE 16 : Conduct of Shareholder Meetings

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.

The Board supports and encourages active shareholder participation at AGMs. It believes that general meetings serve as an opportune forum for shareholders to meet the Board and Senior Management and to interact with them. At AGMs, the directors, Senior Management as well as the external auditors are in attendance to answer queries from shareholders. The Chairperson/members of the Audit, Nominating and Remuneration Committees are available to address any queries by shareholders. Shareholders are given the opportunity at the general meetings of the Company to air their views and query the directors and Management on matters relating to the Group and its operations.

Resolutions are, as far as possible, structured separately and voted on independently.

Corporate Governance Report

The Company's regulations allow any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. The Company does not permit voting in absentia by mail, facsimile or email due to the difficulty in verifying and ensuring authenticity of the vote.

The Company will record minutes of all general meetings and will make available the minutes of general meetings to shareholders upon request.

To promote greater transparency and effective participation, the Company has conducted the non-electronic poll voting for all its resolutions passed at all general meetings since year 2012. The Company prefers non-electronic poll voting as it saves costs and still gives an acceptable turnaround time to generate the poll results. Votes cast for or against each resolution will be tallied and read out by the Chairman of the Meeting immediately at the meeting. The total number of votes cast for or against each resolution will be announced after the conclusion of the meetings via SGXNET.

E. INTERESTED PERSON TRANSACTIONS

There is no Shareholders' Mandate for Interested Person Transactions ("IPT") pursuant to Rule 920 of the Listing Manual.

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are at arm's length basis. All Interested person transactions are subject to review by the AC to ensure compliance.

There was no IPT of or over \$100,000 in value entered into during FY2018.

F. MATERIAL CONTRACTS

Except as disclosed in the Directors' Statement and Financial Statements, no material contracts of the Company or its subsidiaries involving the interests of the chief executive officer

(or equivalent), each director or controlling shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

G. CODE OF BUSINESS ETHICS

The Group has in place a Code of Business Ethics which employees are required to observe for the purpose of maintaining high standard of integrity and business conduct. This code clearly defines the process through which employees, in confidence, report possible improprieties in matter of financial reporting or other matters to the AC for follow-up action. The objective of such an arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Corporate Governance Report

H. DEALINGS IN SECURITIES

The Group complies with the SGX-ST best practices on dealing in securities, and has devised an internal code which prohibits the directors and executives of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's full year results and two weeks prior to the announcement of financial results of each of the first three quarters of the financial year and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Directors and executives should not deal in the Company's securities on short term consideration.

I. ENTERPRISE RISKS MANAGEMENT

Managing Enterprise Risks in Teckwah

Enterprise Risk Management ("ERM") is salient to the Group's management processes. The dynamism and inter-connectedness of today's global business landscape have shed new perspectives on the types of uncertainties the Group is exposed to. ERM is a holistic and structured way of managing uncertainties, centred upon the aim of creating shared value and sustained growth that benefits the organisation and its stakeholders. By maintaining high standards of corporate governance, the Group is equipped to consistently and effectively meet stakeholder expectations as well as achieve its organisational goals.

The Teckwah ERM framework ensures effective risk management practices and policies are embedded into the way businesses are conducted in Teckwah. The risk assessment process constitutes an important component of ERM as it provides the structured approach to framing the organisation's risk profile. This process enables Management to identify the Group's top risks and the emergent risk profile encompasses the four main perspectives – strategic / external, regulatory, financial and operational.

To create a risk-aware culture in Teckwah, ERM training has been made a compulsory module in the Training & Development Plan in Singapore, particularly for new employees, at the Executive / Managerial level. The curriculum includes the Group's risk strategy and policy, framework and profile. A key message communicated to all employees is that everyone has a role to play in managing risks within the organisation.

Strategic / External Risks

To ensure growth sustainability and the continued creation of shared value to its stakeholders, organisations today must have the agility and dexterity to be able to anticipate, react to and manage change. Teckwah has over the years transformed from a family-run business to a professionally managed organisation. The visionary leadership of Management has led the company to effectively develop and deploy its mid and long-term strategies both on a local and global scale.

Corporate Governance Report

With majority of total revenue in FY2018 contributed by its multi-national customers, the Group is inevitably exposed to external risks amid evolving modus operandi of businesses and changing consumption patterns. Teckwah closely monitors the global and regional economic conditions and actively identifies the latest market trends and risks impacting businesses. Such research data are incorporated into the periodic reviews of the Group's long-term strategic blueprint to ascertain the robustness of its strategies against external forces.

Regulatory Risks

The Group is perfectly positioned to deliver globally across Asia Pacific, North America and Europe. Operating from multiple locations exposes the Group to risks related to laws and regulations of governments and regulatory bodies in these countries. Such risks may potentially increase the costs of operations, reduce foreign investment attractiveness and ultimately change the competitive landscape altogether.

The Group recognises the importance of establishing resilient relationships with business partners and local authorities to keep abreast of prevailing changes in statutory and regulatory requirements in the countries we operate in. Internally, the Group has invested in training and sharing sessions for employees to be in touch with the latest regulatory changes and the potential impact these changes may have, as well as any non-compliance of regulatory requirements on the businesses. Various policies have also been put in place to ensure that employees are equipped with the relevant knowledge to perform their roles.

Financial Risk

The Group recognises its exposure to financial risks including credit, financial reporting, foreign exchange, interest rates and liquidity risks. Relevant policies have been set and measures implemented to mitigate these risks. Credit risk is managed through the credit approval process that sets the credit limit and through constant monitoring and periodic reviewing of collection performance. Specific provisions will be made once trade debts are deemed uncollectible.

Financial reports are continuously and diligently reviewed to ensure full compliance with international accounting standards and regulations, and to minimise lapses. Movements of our major trading currencies are closely monitored, and natural hedging is performed where possible to manage foreign currency fluctuations. Prudent financing arrangements and diligent cash flow management is enforced to ensure the Group's liquidity status consistently remains in a healthy position.

Corporate Governance Report

Operational Risk

Teckwah's operating environment is developed and managed based on locally and internationally recognised standards in quality management and practices. They include ISO 9001, ISO 14001, ISO 28000, OHSAS 18001, ISO 22301, STP (Secure Trade Partnership) Plus Certification, GDPMDS (Good Distribution Practice for Medical Devices Singapore) Certification, FSC® CoC (Forest Stewardship Council® Chain of Custody) Certification and more recently in FY2018, the TAPA FRS (Transported Asset Protection Association Facility Security Requirements as Classification A) Certification. To minimise and avoid both anticipated and unanticipated risks to its local and regional operations, Management has initiated and established the operating systems and measures to govern its practices, whilst protecting its people and assets.

Quality, Environmental Safety, Security & Health (QuESH)

The Group's commitment to our employees, customers and the community at large is established in the QuESH Management System (also known as "QuESHMS"). QuESHMS seeks to effectively and responsibly identify, assess and treat all QuESH related risks associated with our business activities, products and services. Operational objectives are set in consideration of prevention of pollution, injury and ill-health. Employees undergo training and re-training on their roles and responsibilities under QuESHMS. All building premises are closely monitored and guarded by in-house security systems with access to all areas generally restricted and limited to authorised personnel.

Information, Cyber & Data Security

The Group is committed to uphold information and cybersecurity, data protection (including personal data) and to safeguard our customers' valued assets and intellectual property [IP] at all premises. Our robust IT infrastructure, systems and operational processes are not only designed and maintained to comply with industry practices, but also to protect the organisation against cyber threats that may come in the form of hacking, spam, malware and virus. Management also recognises the need to assess the maturity of its security posture as well as the degree of vulnerability in its IT systems.

In FY2018, it engaged PricewaterhouseCoopers to perform a current state assessment of the information and cyber security controls that benchmarks its information, cyber and data security capabilities against recognised industry standards, good practices and peer organisations. Deloitte was engaged to conduct a Penetration Test and Vulnerability Assessment on key servers that directly impact its operations. At the enterprise level, identifying key gaps and vulnerabilities in its current cyber security capabilities and General IT Control capabilities enable the prioritisation of measures to be implemented to close the gaps and further strengthen the Group's security posture. At the operational level, periodic reviews are conducted by the Heads of Departments to affirm that all employees have been granted the appropriate levels of authorised access to systems in accordance with their current roles and responsibilities.

Corporate Governance Report

Human Capital Management

Human Capital in Teckwah merits much diligence as the Group holds in high esteem the value that its people bring to the business and to the organisation. The Group manages its Human Capital risks via a structured approach that ultimately achieves its Human Capital goals in talent acquisition, engagement, satisfaction and retention. In ensuring these people-related goals support the diverse operations locally and regionally, Management firmly aligns its Human Capital strategies with the Group's strategic blueprint, ascertaining the effective optimisation of its use of people at all levels of operations and management.

Business Continuity Management

Teckwah's Business Continuity Management [BCM] Plan was documented, established and implemented in 2006 and certified under the ISO 22301 standard. The BCM Plan assists the Group to execute an orderly and effective response to crises of any nature. It enhances our resilience towards any business disruption by strengthening disaster detection, response, and recovery and restoration capabilities, thereby ensuring the continual provision of services to customers. To assure the continued feasibility and effectiveness of the BCM Plan, the BCM Exercise is conducted periodically, with the latest desktop exercise performed in December 2018.

Opinion of the Board

ERM is salient to the Group's management processes. It is a holistic way of managing uncertainties while ascertaining shared value creation and growth sustainability for the organisation and its stakeholders. Key risks identified are presented to the Board periodically. Teckwah's ERM framework not only assures the risk management practices put in place are effective, but it also helps to clearly define a Risk Structure that outlines the roles and responsibilities of Management and the Audit Committee.

The effectiveness of the ERM framework and the risk management process is reviewed by the Enterprise Risk Management Committee on behalf of the Board. Appropriate risk treatments are developed, and adequate internal controls are put in place to closely monitor and manage these risks. These mitigation strategies are reviewed by the Enterprise Risk Management Committee and the Board on a quarterly basis. Based on the preceding reviews, the Board is of the opinion, with concurrence from the Enterprise Risk Management Committee and Audit Committee, that there are adequate controls in place within Teckwah Group to address its strategic, financial, operational and regulatory risks.

Directors' Statement

THE directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 74 to 159 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 December 31, 2018, and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Mr. Chua Kee Seng Thomas
Mr. Ng Nai Ping
Mdm. Mai Ah Ngo
Mr. Lee Chee Sit*
Mr. Chan Pee Teck Peter**
Mr. Lim Hwee Chiang John**
Mr. Lim Lee Meng**
Mr. Tan Wee Seng Gerard**

* Non-executive director

** Independent directors

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

Directors' Statement

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At January 1, 2018	At December 31, 2018	At January 1, 2018	At December 31, 2018
The company				
Ordinary shares				
Mr. Chua Kee Seng Thomas	1,900,000	1,900,000	1,808,000	1,808,000
Mr. Lee Chee Sit	-	-	26,216,900	26,216,900
Mdm. Mai Ah Ngo	792,000	792,000	1,808,000	1,808,000
Mr. Ng Nai Ping	780,000	780,000	-	-
Mr. Lim Hwee Chiang John	-	-	140,000	140,000

The directors' interests in the shares and options of the company at January 21, 2019 were the same at December 31, 2018.

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company was granted.

(b) Options exercised

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under options

All outstanding options which were previously granted pursuant to Teckwah Employees' Share Option Scheme had lapsed. At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

Directors' Statement

5 AUDIT COMMITTEE

The directors of Teckwah Industrial Corporation Ltd have adopted the principles of the Code of Corporate Governance 2012 as formulated by Singapore Exchange Securities Trading Limited with respect to Audit Committees.

The Audit Committee comprises the following independent directors:

Chairman:	Mr. Lim Lee Meng
Members:	Mr. Lim Hwee Chiang John Mr. Chan Pee Teck Peter Mr. Tan Wee Seng Gerard

The Audit Committee performed the functions set out in the Singapore Companies Act.

For the financial year ended December 31, 2018, the Audit Committee held four meetings and reviewed the following:

- (i) the audit plans and results of the external auditors' examination of the financial statements;
- (ii) the audit plans and results of out-sourced audit of internal controls and operations and evaluation of the group's systems of internal accounting controls;
- (iii) the group's financial and operating results and accounting policies;
- (iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- (v) the financial statements of the company, the consolidated financial statements of the group and the external auditors' report on those financial statements before their submission to the directors of the company;
- (vi) the co-operation and assistance given by the management to the group's external auditors;
- (vii) the re-appointment of the auditors of the company; and
- (viii) interested person transactions.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions 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 Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for reappointment as external auditors of the group at the forthcoming Annual General Meeting of the company.

Directors' Statement

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....
Mr. Chua Kee Seng Thomas

.....
Mr. Ng Nai Ping

March 22, 2019

Independent Auditor’s Report to the Members of Teckwah Industrial Corporation Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Teckwah Industrial Corporation Ltd (the “company”) and its subsidiaries (the “group”) which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 159.

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 December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the 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 Teckwah Industrial Corporation Ltd

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. The matter was 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 the matter.

Key Audit Matter	Our audit performed and responses thereon
<p>Goodwill Impairment Review</p> <p>The group is required to annually test goodwill for impairment. Significant judgement is required in estimating the recoverable amount of the cash generating unit associated with the goodwill. Key inputs used in the above estimation include growth rates and the discount rate of the business.</p> <p>The key assumptions and information of the goodwill are disclosed in Note 16 to the financial statements.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in the assessment of the value-in-use using discounted cash-flow model. Our procedures included:</p> <ul style="list-style-type: none">» Independently develop expectations and compare to those used by management in the key assumptions such as growth rates and the discount rate;» Assess and challenge the accuracy of prior year’s forecast with reference to current year’s actuals on whether the group has achieved the results; and» Performed sensitivity analysis around key assumptions such as growth rates and discount rate used in the computation of the projected cash flows. <p>Based on our procedures, we noted that management’s key assumptions to be within a reasonable range of our expectations.</p>

Independent Auditor's Report to the Members of Teckwah Industrial Corporation Ltd

Information Other than the Financial Statements and Auditor's Report Thereon

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 of 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.

Independent Auditor's Report to the Members of Teckwah Industrial Corporation Ltd

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 skepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.

Independent Auditor's Report to the Members of Teckwah Industrial Corporation Ltd

- (e) 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.
- (f) 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 have identified 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 the matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matter. We describe the matter 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 Teckwah Industrial Corporation Ltd

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Boon Teck.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 22, 2019

Statements of Financial Position

December 31, 2018

		GROUP			COMPANY		
	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
ASSETS							
Current assets							
Cash and cash equivalents	6	36,052	27,710	42,362	5,422	760	6,894
Trade and other receivables	7	46,999	50,501	46,613	10,832	10,221	13,157
Inventories	8	13,429	13,859	20,070	-	-	-
Total current assets		96,480	92,070	109,045	16,254	10,981	20,051
Non-current assets							
Other assets	9	2,703	1,209	389	-	-	-
Joint venture	10	4,179	4,465	4,060	4,216	4,216	4,216
Subsidiaries	11	-	-	-	19,797	19,797	19,797
Property, plant and equipment	12	72,563	77,002	74,896	34,213	36,817	39,741
Investment properties	13	4,240	4,286	4,140	2,357	2,375	2,245
Land use rights	14	6,400	6,710	6,997	6,022	6,288	6,554
Intangible assets	15	-	10	20	-	10	20
Goodwill	16	6,691	6,691	6,691	-	-	-
Deferred tax assets	20	284	306	307	-	-	-
Total non-current assets		97,060	100,679	97,500	66,605	69,503	72,573
Total assets		193,540	192,749	206,545	82,859	80,484	92,624
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	17	25,992	29,239	36,207	8,859	9,077	9,062
Bank loans	18	-	233	12,564	-	-	12,500
Finance leases	19	995	578	940	20	19	5
Income tax payable		2,655	2,673	3,072	701	688	313
Total current liabilities		29,642	32,723	52,783	9,580	9,784	21,880
Non-current liabilities							
Finance leases	19	3,305	355	390	51	71	-
Deferred tax liabilities	20	2,742	2,693	2,884	856	1,040	1,230
Post employment benefits	21	490	463	390	-	-	-
Total non-current liabilities		6,537	3,511	3,664	907	1,111	1,230

Statements of Financial Position

December 31, 2018

		GROUP			COMPANY		
	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Capital, reserves and non-controlling interests							
Share capital	22	23,852	23,852	23,852	23,852	23,852	23,852
Statutory surplus reserve	23	3,015	2,927	2,701	-	-	-
Retained earnings		128,078	126,857	120,526	48,520	45,737	45,662
Currency translation reserve		(2,117)	(968)	106	-	-	-
Equity attributable to owners of the company		152,828	152,668	147,185	72,372	69,589	69,514
Non-controlling interests		4,533	3,847	2,913	-	-	-
Total equity		157,361	156,515	150,098	72,372	69,589	69,514
Total liabilities and equity		193,540	192,749	206,545	82,859	80,484	92,624

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss

Financial year ended December 31, 2018

	Note	2018 \$'000	GROUP 2017 \$'000 (Restated)
Revenue	24	165,608	172,192
Other operating income	25	1,122	1,006
Changes in inventories of finished goods and work in progress		114	(1,636)
Raw materials and consumables used		(46,416)	(45,012)
Employee benefits expense	28	(45,819)	(45,910)
Depreciation and amortisation	28	(9,917)	(9,324)
Other operating expenses	26	(53,307)	(54,322)
Share of profit of joint venture	10	232	305
Finance costs	27	(224)	(445)
Profit before tax	28	11,393	16,854
Income tax expense	29	(2,965)	(4,074)
Profit for the year		8,428	12,780
Profit attributable to:			
Owners of the company		7,109	11,254
Non-controlling interests		1,319	1,526
		8,428	12,780
Earnings per share	31		
Basic		3.04 cents	4.82 cents
Diluted		3.04 cents	4.82 cents

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Financial year ended December 31, 2018

	Note	2018 \$'000	GROUP 2017 \$'000
Profit for the year		8,428	12,780
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit obligation	21	52	(34)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	20	(13)	8
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,149)	(1,169)
Other comprehensive loss for the year, net of tax		(1,110)	(1,195)
Total comprehensive income for the year		7,318	11,585
Total comprehensive income attributable to:			
Owners of the company		5,999	10,154
Non-controlling interests		1,319	1,431
		7,318	11,585

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended December 31, 2018

	Note	Share capital \$'000	Statutory surplus reserve \$'000	Retained earnings \$'000	Currency translation reserve \$'000	Equity attributable to owners of the company \$'000	Non-controlling interests \$'000	Total \$'000
GROUP								
Balance at January 1, 2017		23,852	2,701	120,526	106	147,185	2,913	150,098
<i>Total comprehensive income for the year</i>								
Profit for the year		-	-	11,254	-	11,254	1,526	12,780
Other comprehensive loss		-	-	(26)	(1,074)	(1,100)	(95)	(1,195)
Total		-	-	11,228	(1,074)	10,154	1,431	11,585
<i>Transactions with owners, recognised directly in equity</i>								
Appropriations		-	226	(226)	-	-	-	-
Dividends paid	30	-	-	(4,671)	-	(4,671)	-	(4,671)
Total		-	226	(4,897)	-	(4,671)	-	(4,671)
<i>Others</i>								
Dividends paid to non-controlling interests		-	-	-	-	-	(497)	(497)
Total		-	-	-	-	-	(497)	(497)
Balance at December 31, 2017		23,852	2,927	126,857	(968)	152,668	3,847	156,515
<i>Total comprehensive income for the year</i>								
Profit for the year		-	-	7,109	-	7,109	1,319	8,428
Other comprehensive income/(loss)		-	-	39	(1,149)	(1,110)	-	(1,110)
Total		-	-	7,148	(1,149)	5,999	1,319	7,318
<i>Transactions with owners, recognised directly in equity</i>								
Appropriations		-	88	(88)	-	-	-	-
Dividends paid	30	-	-	(5,839)	-	(5,839)	-	(5,839)
Total		-	88	(5,927)	-	(5,839)	-	(5,839)
<i>Others</i>								
Dividends paid to non-controlling interests		-	-	-	-	-	(633)	(633)
Total		-	-	-	-	-	(633)	(633)
Balance at December 31, 2018		23,852	3,015	128,078	(2,117)	152,828	4,533	157,361

Statements of Changes in Equity

Financial year ended December 31, 2018

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
COMPANY				
Balance at January 1, 2017		23,852	45,662	69,514
Profit for the year, representing total comprehensive income for the year		-	4,746	4,746
Dividends paid, representing transactions with owners, recognised directly in equity	30	-	(4,671)	(4,671)
Balance at December 31, 2017		23,852	45,737	69,589
Profit for the year, representing total comprehensive income for the year		-	8,622	8,622
Dividends paid, representing transactions with owners, recognised directly in equity	30	-	(5,839)	(5,839)
Balance at December 31, 2018		23,852	48,520	72,372

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended December 31, 2018

	2018 \$'000	2017 \$'000
Operating activities		
Profit before tax	11,393	16,854
Adjustments for:		
Bad debts written off	9	1
Write-back of inventories	(8)	(210)
Depreciation and amortisation expense	9,917	9,324
Gain on disposal of property, plant and equipment	(83)	(87)
Share of profit of joint venture	(232)	(305)
Post employment benefits	56	39
Gain on disposal of intangible assets	(82)	-
Unrealised foreign exchange loss (gain)	63	(251)
Interest income	(294)	(176)
Finance costs	224	445
Operating cash flows before movements in working capital	20,963	25,634
Trade and other receivables and other assets	1,556	(5,142)
Inventories	355	6,109
Trade and other payables	(2,939)	(6,603)
Cash generated from operations	19,935	19,998
Interest paid	(224)	(445)
Income tax paid	(2,912)	(4,663)
Net cash from operating activities	16,799	14,890
Investing activities		
Interest received	294	176
Dividends received from joint venture	500	-
Proceeds from disposal of property, plant and equipment	229	142
Purchase of property, plant and equipment (Note A)	(5,605)	(11,104)
Proceeds from disposal of intangible assets	87	-
Net cash used in investing activities	(4,495)	(10,786)
Financing activities		
Dividends paid	(5,839)	(4,671)
Dividends paid to non-controlling interests	(633)	(497)
Repayment of bank loans	(1,084)	(13,579)
Proceeds from bank loans	847	1,242
Repayment of obligations under finance leases	(1,118)	(886)
Proceeds from finance lease (Note B)	4,403	-
Net cash used in financing activities	(3,424)	(18,391)
Net increase (decrease) in cash and cash equivalents	8,880	(14,287)
Cash and cash equivalents at beginning of year	27,710	42,362
Effect of foreign exchange rate changes	(538)	(365)
Cash and cash equivalents at end of year	36,052	27,710

Consolidated Statement of Cash Flows

Financial year ended December 31, 2018

Note A

In 2017, the additions to property, plant and equipment totalling \$11,587,000 (Note 12) comprised paid purchases totalling \$11,104,000 and purchases acquired under finance lease agreement of \$483,000.

Note B

In 2018, the group obtained additional finance lease in relation to certain property, plant and equipment acquired in 2017, amounting to \$4,403,000.

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2018

1 GENERAL

The company (Registration No. 197201105E) is incorporated in Singapore with its principal place of business and registered office at 51 Tai Seng Avenue, #05-01, Pixel Red, Singapore 533941. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

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

The principal activities of the joint venture and subsidiaries are disclosed in Notes 10 and 11 respectively.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2018 were authorised for issue by the Board of Directors on March 22, 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Details of first-time adoption of SFRS(I) are included in Note 2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

Notes to Financial Statements

December 31, 2018

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- » Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- » Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- » Level 3 inputs are unobservable inputs for the asset or liability.

Adoption of a new financial reporting framework

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are not presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017) as there were no changes compared to amounts previously reported.

There is no significant change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 15 as (i) Management has elected to take up certain transition options available under SFRS(I) 1; and (ii) the application of SFRS(I) 9 impairment requirements has not resulted in any material adjustment to allowance recognised.

Notes to Financial Statements

December 31, 2018

Management has elected the following transition exemption:

- » SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify under recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

The effects of initial application of SFRS(I) 15 are presented and explained below.

Group

- (A) Impact on Statement of Profit or Loss for the year ended December 31, 2017 (last financial year reported under FRS)

	As previously reported under FRS \$'000	Initial application of SFRS(I) 15 \$'000	Note	As adjusted under SFRS(I) \$'000
Revenue	182,847	(10,655)	(1)	172,192
Other operating income	1,006	-		1,006
Changes in inventories of finished goods and work in progress	(1,636)	-		(1,636)
Raw materials and consumables used	(49,633)	4,621	(1)	(45,012)
Employee benefits expense	(45,910)	-		(45,910)
Depreciation and amortisation	(9,324)	-		(9,324)
Other operating expenses	(60,356)	6,034	(1)	(54,322)
Share of profit of joint venture	305	-		305
Finance costs	(445)	-		(445)
Profit before tax	16,854	-		16,854
Income tax expense	(4,074)	-		(4,074)
Profit for the year	12,780	-		12,780

Notes to the reconciliations:

SFRS(I) 15

- (1) Under SFRS(I) 15, the Group assessed that it acts as an agent in the delivery of services for certain projects. Accordingly, the Group recognises the net fee which it is entitled to as revenue, in exchange for arranging for the delivery of such services for the projects.

Notes to Financial Statements

December 31, 2018

Standards issued by not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application.

SFRS(I) 16 Leases

Effective for annual periods beginning on or after 1 January 2019

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor SFRS(I) 1-17 *Leases*.

As at December 31, 2018, the Group had certain non-cancellable operating lease commitments of \$12,101,000 as disclosed in Note 33 to the financial statements. Preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- » Has power over the investee;
- » Is exposed, or has rights, to variable returns from its involvement with the investee; and
- » Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts

Notes to Financial Statements

December 31, 2018

and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- » The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- » Potential voting rights held by the company, other vote holders or other parties;
- » Rights arising from other contractual arrangements; and
- » Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. 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 subsidiaries. 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 company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial

Notes to Financial Statements

December 31, 2018

recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value being recognised in profit or loss.

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.

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

- » Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- » Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

Notes to Financial Statements

December 31, 2018

- » Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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

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

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to Financial Statements

December 31, 2018

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- » the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- » the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- » the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- » the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- » the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Notes to Financial Statements

December 31, 2018

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of conditions at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Notes to Financial Statements

December 31, 2018

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- » existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- » an actual or expected significant deterioration in the operating performance or results of the debtor;
- » an actual or expected significant adverse change in the regulatory or economic environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are generally more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Notes to Financial Statements

December 31, 2018

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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.

- » 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 based on factors considered such as past payment history, ongoing business dealings, settlement arrangements and financial status of the debtor, being reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In considering the 90 days past due deemed defaulted presumption, it is not expected to be significantly consequential on the amount of expected credit losses measured because of the counterbalancing interaction between the way the Group defines default and the credit losses that arise as a result of that definition of default. Differences in default definition for the Group is not as pertinent because the Group does not have to determine the significant increase in credit risk indicators given that the Group has simplified approach to impairment model.

Credit-impaired financial assets

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:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) 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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to Financial Statements

December 31, 2018

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract or invoice and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- » Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group or individual basis.);
- » Past-due status;
- » Nature, size and industry of debtors; and
- » External credit ratings where available.

The grouping is reviewed periodically by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to Financial Statements

December 31, 2018

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. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

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.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the effect of discounting is immaterial.

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

Notes to Financial Statements

December 31, 2018

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 of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

The group as lessor

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

The group as lessee

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

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

Notes to Financial Statements

December 31, 2018

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises 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 as follows:

Raw materials : First-in, first out/Weighted average
Work-in-progress and finished goods : Standard cost which approximates actual cost

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

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes any professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold and leasehold buildings - 1% to 20%
Plant and machinery - 10% to 20%
Office equipment, furniture and fittings - 10% to 33 $\frac{1}{3}$ %
Motor vehicles - 18% to 20%

Freehold land and assets under construction are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

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

Notes to Financial Statements

December 31, 2018

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 amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES - Investment properties refer to the freehold land and buildings held to earn rental income. Buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost less any accumulated impairment losses.

Depreciation is charged so as to write off the cost over their estimated useful lives and after taking into account of their estimated residual value using the straight-line method, on the following basis:

Building - 2% to 3 $\frac{1}{3}$ %

The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

LAND USE RIGHTS - Land use rights are measured initially at cost and amortised on a straight-line basis over the term of the land use rights certificates.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying

Notes to Financial Statements

December 31, 2018

amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

The amortisation periods for the intangible assets are as follows:

Country club memberships (Note 15) - 30 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The amortisation periods for the intangible assets are as follows:

Approved replicator rights (Note 15) - 5 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) 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

Notes to Financial Statements

December 31, 2018

recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (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 the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

JOINT VENTURE - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Notes to Financial Statements

December 31, 2018

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the group reduces its ownership interest in a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the group, profits and losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

Notes to Financial Statements

December 31, 2018

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) 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.

GOVERNMENT GRANTS - Government grants are not recognised until there is a reasonable certainty that the group will comply with the conditions attaching to them and the grants will be received. The benefits associated with these grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

Notes to Financial Statements

December 31, 2018

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- » the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- » the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- » the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with SFRS(I) 9. In contract, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised in profit or loss as follows:

(i) *Revenue from sale of goods*

The group sells paper products and flexible packing and printing materials to its customers. Revenue is recognised when control and significant risk and rewards of ownership of the goods has transferred to the customer based on shipping terms. A receivable is recognised by the group when the goods are delivered to the customers as this represents the point in time which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The customers have a right to return if the goods are found to be defective or does not meet specifications. Such claims have historically not been significant.

Notes to Financial Statements

December 31, 2018

(ii) *Revenue from logistics services*

Revenue from transportation/freight forwarding is recognised upon completion of the service which is expected to approximate revenue to be recognised over time, based on the time elapsed, due to the short service period. Services are billed upon completion, on a monthly basis.

Value added logistics services refer to the rendering of import/export clearance, handling and storage of customer's goods at the group's warehouse. Revenue from provision of value added logistics service is recognised over the respective service period based on the services provided as the customer simultaneously receives and consumes the services provided by the Group over the period. As the group has the right to invoice customers based on volume of goods to be handled by the group and based on storage space occupied by the customers, the group has applied the practical expedient to not disclose the related unsatisfied performance obligation.

Management fees from customers are recognised when services are rendered. Management has assessed that the stage of completion is determined as the proportion of the total service period that has elapsed as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Payment for these services are due in accordance with payment schedules in the customer contract, on straight-line basis over the term of the contract.

(iii) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) *Management and consultancy services*

Management fees are recognised when services are rendered. Management has assessed that the stage of completion is determined as the proportion of the total service period that has elapsed as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

(v) *Rental income*

The Group's policy for recognition of revenue from operating leases is described above under "Leases – The group as lessor".

(vi) *Dividend income*

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Notes to Financial Statements

December 31, 2018

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

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

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- » Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- » Net interest expense or income; and
- » Remeasurement

The group presents the first two components of defined benefit costs in profit or loss in the line item 'employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

Notes to Financial Statements

December 31, 2018

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to Financial Statements

December 31, 2018

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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited to outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in Singapore dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates 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 at 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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars 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, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under header of currency translation reserve.

Notes to Financial Statements

December 31, 2018

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

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

SHARE CAPITAL - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are deducted from shareholders' equity and recorded as a liability when declared payable. Proposed dividends which are subject to shareholders' approval are not deducted from equity and are not recorded as liabilities.

CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Notes to Financial Statements

December 31, 2018

The 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.

(a) Critical judgements in applying the group'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 that have the most significant effect on the amounts recognised in the financial statements.

Control over Teckwah Value Chain (Thailand) Co., Ltd

Note 11 describes that Teckwah Value Chain (Thailand) Co., Ltd is a subsidiary of the group even though the group has only a 49% ownership interest in Teckwah Value Chain (Thailand) Co., Ltd.

The directors of the company assessed whether or not the group has control over Teckwah Value Chain (Thailand) Co., Ltd based on whether the group has the practical ability to direct the relevant activities of Teckwah Value Chain (Thailand) Co., Ltd unilaterally. In making their judgement, the directors considered the group's contractual rights to appoint the majority of the board of directors. Control of the entity is exercised by the board of directors. Therefore, in accordance with SFRS(I) 10, the group has control over Teckwah Value Chain (Thailand) Co., Ltd.

Classification of PPH Teckwah Value Chain Sdn Bhd as a joint venture

PPH Teckwah Value Chain Sdn Bhd is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the specific assets and the obligations for the liabilities of the joint arrangement. Accordingly, PPH Teckwah Value Chain Sdn Bhd is classified as a joint venture of the group. See Note 10 for details.

(b) Key sources of estimation uncertainty

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

Notes to Financial Statements

December 31, 2018

Impairment of goodwill

The group performs an impairment review to ensure that the carrying value of the goodwill amounting to \$6,691,000 (2017: \$6,691,000) does not exceed its recoverable amount from the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. In determining the recoverable amount, management exercised judgement in estimating future cash flows, growth rates discount rates as disclosed in Note 16 with the assumption that the contracts with its customer continues to be renewed.

No impairment loss is assessed to be required in 2018 and 2017.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	COMPANY December 31, 2017 \$'000	January 1, 2017 \$'000
Financial assets						
Financial assets at amortised cost	81,790	77,432	87,765	16,108	10,812	19,771
Financial liabilities						
Financial liabilities at amortised cost	30,292	30,405	50,101	8,930	9,167	21,567

The group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(b) Financial risk management policies and objectives

The group has financial risk management policies which set out the group's overall business strategies and its risk management philosophy. The group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group.

Notes to Financial Statements

December 31, 2018

The key financial risks impacting the group include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group does not hold or issue derivative financial instruments for speculative or hedging purposes.

There has been no significant change to the manner in which the group manages and measures these financial risks.

(i) Foreign exchange risk management

The group transacts business in various foreign currencies and therefore is exposed to foreign currency risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	GROUP					
	Liabilities			Assets		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States dollars ("USD")	2,194	3,536	1,511	13,904	15,150	19,241

	COMPANY					
	Liabilities			Assets		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States dollars ("USD")	2	-	-	708	714	642

Natural hedges are used to manage some of these risks. The group generally does not use financial derivative contracts to manage foreign exchange risks.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the US dollar against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

Notes to Financial Statements

December 31, 2018

If the US dollar strengthens by 5% against the functional currency of each group entity and assuming all other variables remaining constant, profit or loss will increase by:

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Group	586	581	887
Company	35	36	32

If the US dollar weakens by 5% against the functional currency of each group entity, it would have an equal opposite effect on the amounts shown above, on the basis that all other variables remaining constant.

(ii) Interest rate risk management

The group is exposed to the effect of changes in interest rates attributable to interest-bearing bank loans and finance leases. The interest rate and terms of repayment of bank loans and finance leases of the group are disclosed in Note 18 and 19 to the financial statements. The group does not use financial derivative instruments to hedge interest rate risks.

The interest rates for fixed deposits are disclosed in Note 6 to the financial statements.

No sensitivity analysis is prepared as the group does not expect any material effect on the group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

(iii) Credit risk management

Credit risk is the risk that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with reputable counterparties.

The Group develops and maintains its credit risk grading to categorise according to their degree of risk of default. The Group uses its own internal trading records to rate its major customers and other debtors.

The group and company's current credit risk grading framework comprises the following categories:

Notes to Financial Statements

December 31, 2018

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired and adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the group and company's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Group - December 31, 2018</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	41,623	-	41,623
Other receivables	7,9	Performing	12-month ECL	3,670	-	3,670
Amounts due from related parties/joint venture	7	Performing	12-month ECL	445	-	445

Notes to Financial Statements

December 31, 2018

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Group - December 31, 2017 (Restated)</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	45,242	-	45,242
Other receivables	7,9	Performing	12-month ECL	3,923	-	3,923
Amounts due from related parties/joint venture	7	Performing	12-month ECL	557	-	557
<u>Group - January 1, 2017 (Restated)</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	40,416	(17)	40,399
Other receivables	7,9	Performing	12-month ECL	4,706	-	4,706
Amounts due from related parties/joint venture	7	Performing	12-month ECL	298	-	298

Notes to Financial Statements

December 31, 2018

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Company - December 31, 2018</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	89	-	89
Other receivables	7	Performing	12-month ECL	24	-	24
Amount due from subsidiaries/ joint venture	7	Performing	12-month ECL	10,573	-	10,573

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Company - December 31, 2017 (Restated)</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	108	-	108
Other receivables	7	Performing	12-month ECL	22	-	22
Amount due from subsidiaries/ joint venture	7	Performing	12-month ECL	9,922	-	9,922

Notes to Financial Statements

December 31, 2018

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Company - January 1, 2017 (Restated)</u>						
Trade receivables	7	(a)	Lifetime ECL (simplified approach)	93	-	93
Other receivables	7	Performing	12-month ECL	88	-	88
Amount due from subsidiaries/ joint venture	7	Performing	12-month ECL	12,696	-	12,696

- (a) The group and company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

The largest customer of the group accounts for approximately 18% (2017: 19%) of revenue. Other than this customer, there is no significant concentration of credit given to any single customer or group of customers. The company has significant receivables from subsidiaries as disclosed in Note 7. Credit risk is managed by a credit evaluation process which includes assessment and evaluation of existing and potential customers' credit standing to determine credit limits to be granted, credit policies, credit control and collection procedures. Payments are monitored for compliance with credit terms.

The maximum amount that the company could be forced to settle under the financial guarantee contract in Note 32, if the full guaranteed amount is claimed by the counterparty to the guarantee, is \$47,753,000 (2017: \$39,035,000). The company considers that it is more likely than not that no amount will be payable under the arrangement.

Notes to Financial Statements

December 31, 2018

(iv) Liquidity risk management

The group maintains adequate cash and credit facilities for its operating requirements.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>					
December 31, 2018					
Non-interest bearing	-	25,992	-	-	25,992
Finance lease liability (fixed rate)	4.1	1,111	3,470	(281)	4,300
Total		27,103	3,470	(281)	30,292
December 31, 2017					
Non-interest bearing	-	29,239	-	-	29,239
Finance lease liability (fixed rate)	3.9	668	377	(112)	933
Variable interest rate instruments	5.3	246	-	(13)	233
Total		30,153	377	(125)	30,405
January 1, 2017					
Non-interest bearing	-	36,207	-	-	36,207
Finance lease liability (fixed rate)	3.3	1,093	465	(228)	1,330
Variable interest rate instruments	3.7	12,910	-	(346)	12,564
Total		50,210	465	(574)	50,101

Notes to Financial Statements

December 31, 2018

	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	Adjustment \$'000	Total \$'000
<u>Company</u>					
December 31, 2018					
Non-interest bearing	-	8,859	-	-	8,859
Finance lease liability (fixed rate)	4.5	23	54	(6)	71
Total		8,882	54	(6)	8,930
December 31, 2017					
Non-interest bearing	-	9,077	-	-	9,077
Finance lease liability (fixed rate)	4.5	22	76	(8)	90
Total		9,099	76	(8)	9,167
January 1, 2017					
Non-interest bearing	-	9,062	-	-	9,062
Finance lease liability (fixed rate)	2.3	5	-	-	5
Variable interest rate instruments	2.7	12,846	-	(346)	12,500
Total		21,913	-	(346)	21,567

Non-derivative financial assets

All financial assets of the group and the company are non-interest bearing as at December 31, 2018, December 31, 2017 and January 1, 2017.

(v) Fair value of the group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The carrying amounts of cash and cash equivalents, trade and other receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of bank loans are reasonable approximation of fair values as they are floating rate instruments.

(c) Capital management policies and objectives

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

Notes to Financial Statements

December 31, 2018

The capital structure of the group consists of debts, which includes the borrowings disclosed in Notes 18 and 19, and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

Certain subsidiaries of the group is required to set aside a minimum amount of profits annually in accordance with local laws and regulations. Such profits are accumulated in a separate reserve called "Statutory Surplus Reserve" as disclosed in Note 23 to the financial statements. The group is in compliance with externally imposed capital requirements for the financial years ended December 31, 2018 and 2017.

There were no changes in the group's approach to capital management from 2017.

5 RELATED PARTY TRANSACTIONS

Some of the group's transactions and arrangements and terms thereof are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

During the year, the group entered into the following significant transactions with related parties other than those disclosed elsewhere in the financial statements.

	GROUP	
	2018 \$'000	2017 \$'000
Sales to a joint venture	43	55
Sales to a related party	105	10
Management fees from a joint venture	250	250
Purchase of goods from a company of which a close family member of a director has interest in	(14)	(157)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given to or received from related parties. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of directors and key management personnel

	GROUP	
	2018 \$'000	2017 \$'000
Short-term benefits	5,477	5,975
Post-employment benefits	282	286
	5,759	6,261

The compensation relates to remuneration for directors and key management personnel.

Notes to Financial Statements

December 31, 2018

6 CASH AND CASH EQUIVALENTS

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash at bank	28,679	19,680	36,911	5,422	760	6,894
Fixed deposits	7,348	7,994	5,416	-	-	-
Cash on hand	25	36	35	-	-	-
	36,052	27,710	42,362	5,422	760	6,894

Cash and cash equivalents comprise cash held by the group and short-term fixed deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Short-term fixed deposits earn interest at rates ranging from 0.7% to 6.3% (December 31, 2017: 0.7% to 5.7%; January 1, 2017: 0.8% to 6.3%) per annum.

7 TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Outside parties (trade)	41,623	45,242	40,416	89	108	93
Allowance for doubtful debts	-	-	(17)	-	-	-
	41,623	45,242	40,399	89	108	93
Joint venture (trade) (Note 10)	199	277	298	172	250	252
Subsidiaries (trade) (Note 11)	-	-	-	10,401	9,672	12,444
Related party (non-trade)	246	280	-	-	-	-
Other receivables	2,119	1,622	3,271	-	-	45
Deposits	1,149	1,404	1,166	24	22	43
Prepayments	1,663	1,676	1,479	146	169	280
Total	46,999	50,501	46,613	10,832	10,221	13,157

The average credit period on sales of goods is 60 to 90 days (2017: 60 to 90 days). No interest is charged on the trade and other receivables on the outstanding balance.

Notes to Financial Statements

December 31, 2018

Loss allowance for trade receivables – outside parties is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors, adjusted for factors that may be specific to the debtors such as general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance against its receivables over 90 days past due because historical experience has indicated that most of these receivables are generally not recoverable, unless the Group has reasonable and supportable information that demonstrates otherwise.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the group and company's historical credit loss experience does not show significant different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the group and company's different customer base.

The following is an ageing analysis of trade receivables:

	Current \$'000	1 to 30 days overdue \$'000	31 to 60 days overdue \$'000	61 to 90 days overdue \$'000	> 90 days overdue \$'000	Total \$'000
GROUP						
December 31, 2018	32,650	7,760	844	290	79	41,623
December 31, 2017	36,003	7,849	1,044	256	90	45,242
January 1, 2017	31,436	7,923	947	85	25	40,416

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. The Group's trade receivables that are past due at the reporting date but not impaired relates to debtors where there is no change in credit quality of these customers as the Group had assessed them to be recoverable based on past payment history, ongoing dealings and settlement arrangements, including subsequent receipts received after year-end. Trade receivables that are neither past due nor impaired are considered recoverable. Hence, the expected credit loss rate for amounts receivable from sale of goods and services: third party of the group in all days past due categories is subjected to immaterial credit loss as management have assessed and concluded that the amounts are recoverable.

Notes to Financial Statements

December 31, 2018

Analysis of amounts due from subsidiaries and related party

For purpose of impairment assessment, amounts due from subsidiaries are considered to have low credit risk as the timing of payment is controlled by the company taking into account cash flow management within the group and there has been no significant increase in the risk of default on the amounts due from subsidiaries since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

For purpose of impairment assessment, the amounts due from related parties is considered to have low credit risk as the timing of payment is controlled by the shareholders taking into account cash flow management within the companies under control of the shareholders and there has been no significant increase in the risk of default on the amounts due from related parties since initial recognition. Accordingly, for the purpose of impairment assessment for this, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the subsidiaries and related party, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Management determines that the amount due from subsidiaries and related party are subjected to immaterial credit loss.

8 INVENTORIES

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Finished goods	2,910	2,792	9,809
Work-in-progress	949	1,066	795
Raw materials	9,570	10,001	9,466
Total	13,429	13,859	20,070

The cost of inventories recognised as an expense includes a reversal of \$8,000 (2017: \$210,000) as the group was able to dispose the slow moving inventory at a value higher than the carrying value.

Notes to Financial Statements

December 31, 2018

9 OTHER ASSETS

	GROUP		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Deposits	1,859	897	269
Tax recoverable	844	312	120
Total	2,703	1,209	389

10 JOINT VENTURE

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Unquoted equity shares, at cost	4,216	4,216	4,216	4,216	4,216	4,216
Share of post-acquisition profits, net of dividend received	1,869	2,137	1,848	-	-	-
Foreign exchange difference	(1,906)	(1,888)	(2,004)	-	-	-
	4,179	4,465	4,060	4,216	4,216	4,216

The details of the joint venture are as follows:

Name of joint venture	Principal activities/ Country of incorporation and operation	Effective equity interest/voting power held by group		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
PPH Teckwah Value Chain Sdn Bhd	Investment holding and provision of management services/Malaysia	50	50	50

The above joint venture is accounted for using the equity method in these consolidated financial statements and is audited by an overseas practice of Deloitte Touche Tohmatsu Limited. PPH Teckwah Value Chain Sdn Bhd is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that parties to the joint arrangement have rights to the specific assets and obligations for the liabilities of a joint arrangement.

Notes to Financial Statements

December 31, 2018

The amounts due to/from the joint venture are unsecured, interest-free and repayable on demand.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with SFRS(I)s.

	GROUP		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	6,311	9,050	8,099
Non-current assets	4,022	1,882	1,978
Current liabilities	(1,835)	(1,984)	(1,875)
Non-current liabilities	(142)	(11)	(75)

The above amounts of assets and liabilities include the following:

	GROUP		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash and cash equivalents	2,216	4,979	4,353
Revenue	12,646	12,345	12,011
Profit for the year	464	609	500
Other comprehensive income (loss) for the year	(35)	200	(191)
Total comprehensive income for the year	429	810	309
Dividends paid by the joint venture during the year	(1,010)	-	-

Notes to Financial Statements

December 31, 2018

The above profit or loss for the year include the following:

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Depreciation and amortisation	285	284	273
Interest income	56	86	82
Interest expense	8	3	4
Income tax expense	205	59	96

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Net assets of the joint venture	8,356	8,937	8,127
Proportion of the group's ownership interests in the joint venture	50%	50%	50%
Other adjustments	1	(4)	(4)
Carrying amount of the group's interest in the joint venture	4,179	4,465	4,060

11 SUBSIDIARIES

	December 31, 2018 \$'000	COMPANY December 31, 2017 \$'000	January 1, 2017 \$'000
Unquoted equity shares, at cost	22,799	22,799	22,799
Deemed investment	2,484	2,484	2,484
Less: Impairment loss	(5,486)	(5,486)	(5,486)
	19,797	19,797	19,797

Movement in provision for impairment loss:

	December 31, 2018 \$'000	COMPANY December 31, 2017 \$'000	January 1, 2017 \$'000
Balance at beginning of the year and at the end of the year	5,486	5,486	5,486

Notes to Financial Statements

December 31, 2018

The details of the group's subsidiaries at December 31 are as follows:

Name of subsidiary	Principal activities/ Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
Teckwah Value Chain Pte Ltd	Investment holding; manufacturer of paper products and importer, exporter of paper and paper products; provision of value chain management services and graphic design/Singapore	100	100	100
Techwave Media Services Pte Ltd	Provision of value chain management services/ Singapore	100	100	100
Teckwah Logistics Pte Ltd	Provision of third party logistic services/ Singapore	100	100	100
Teckwah Online Pte Ltd	Provision of network services including on-line games and distribution of games software/Singapore	100	100	100
P.T. Teckwah Paper Products Indonesia ^(a)	Manufacture and sales of corrugated boxes/Indonesia	100	100	100
Wuxi Teckwah Printing & Packaging Co., Ltd ^(a)	Manufacture of flexible packing and printing materials/People's Republic of China ("PRC")	100	100	100
Teckwah Value Chain (Shanghai) Co., Ltd ^(d)	Provision of value chain management services/PRC	-	100	100
Teckwah Packaging Systems (Shanghai) Co., Ltd	Provision of value chain management services/PRC	100	100	100
Teckwah Value Chain (Thailand) Co., Ltd ^(b)	Provision of value chain management services/ Thailand	49	49	49
Teckwah Value Chain (Japan) Co. Ltd	Provision of value chain management services/Japan	70	70	70

Notes to Financial Statements

December 31, 2018

Name of subsidiary	Principal activities/Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
JNE Logistics Singapore Pte Ltd	Critical parts management/ Singapore	100	100	100
Teckwah Value Chain Pty Ltd	Provision of value chain management services/ Australia	100	100	100
Teckwah Logistics (India) Private Limited	Provision of third party logistic services/India	100	100	100
Teckwah Trading (HK) Limited	Provision of third party logistic services/PRC	100	100	100
Teckwah Trading (Shanghai) Co., Ltd	Provision of third party logistic services/PRC	100	100	100
Singapore Print Media Hub Pte Ltd	Investment holding & manufacturing of packaging solutions/Singapore	100	100	100
Teckwah Value Chain (Taiwan) Ltd	Provision of third party logistic and value chain management services/Taiwan	100	100	100
Teckwah PharmaPack Solutions Sdn Bhd ^(a)	Manufacturer of paper products and importer, exporter of paper and paper products; provision of value chain management services and graphic design/Malaysia	100	100	100
Teckwah Value Chain Sdn Bhd. ^(a)	Provision of third party logistic services/Malaysia	100	100	100
Shanghai Jointac International Logistics Co., Ltd	Provision of third party logistic services/PRC	51	51	51
PT Teckwah Trading Indonesia ^(c)	Provision of third party logistic services/Indonesia	100	100	100

Notes to Financial Statements

December 31, 2018

The above subsidiaries are audited by Deloitte & Touche LLP, Singapore except as indicated below:

- ^(a) These subsidiaries are audited by overseas practices of Deloitte Touche Tohmatsu Limited.
- ^(b) The group has a 49% ownership interest in Teckwah Value Chain (Thailand) Co., Ltd. The directors determined that it has control over Teckwah Value Chain (Thailand) Co., Ltd on the basis of the group's contractual rights to appoint the majority of the board of directors. Control of the entity is exercised by the board of directors. Therefore, in accordance with SFRS(I) 10, Teckwah Value Chain (Thailand) Co., Ltd is a subsidiary of the group.
- ^(c) The group has a 67% direct ownership interest in PT Teckwah Trading Indonesia. 33% (2017 : 33%) equity interest is registered under the name of third parties, holding in trust for the group. The directors determined that it has control over PT Teckwah Trading Indonesia on the basis of the group's contractual rights to appoint the board of directors. Control of the entity is exercised by the board of directors.
- ^(d) During the year, Teckwah Value Chain (Shanghai) Co., Ltd was deregistered. The above deregistration did not have any material impact on the group's net tangible assets or earnings per share.

Notes to Financial Statements

December 31, 2018

The amounts due to/from subsidiaries are unsecured, interest-free and repayable on demand.

Information about the composition of the group at the end of the financial year is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Manufacturer of paper products and importer, exporter of paper and paper products; provision of value chain management services and graphic design	Singapore and Malaysia	2	2	2
Provision of value chain management services	Singapore, PRC and Australia	3	4	4
Provision of third party logistic services	Singapore, India, Indonesia, PRC and Malaysia	6	6	6
Provision of network services including on-line games and distribution of games software	Singapore	1	1	1
Manufacture and sales of paper products, corrugated boxes, flexible packing and printing materials	Indonesia and PRC	2	2	2
Investment holding & manufacturing of packaging solutions	Singapore	1	1	1
Provision of third party logistic and value chain management services	Taiwan	1	1	1
Critical parts management	Singapore	1	1	1
		17	18	18

Notes to Financial Statements

December 31, 2018

Principal activities	Place of incorporation and operation	Number of non wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Provision of value chain management services	Thailand and Japan	2	2	2
Provision of third party logistic services	PRC	1	1	1
		3	3	3

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Shanghai Jointac International Logistics Co. Ltd	PRC	49%	49%	49%	1,181	1,439	1,143	4,070	3,415	2,607
Individually immaterial subsidiaries with non-controlling interests					138	87	64	463	432	306
Total					1,319	1,526	1,207	4,533	3,847	2,913

Notes to Financial Statements

December 31, 2018

Summarised financial information in respect of each of the group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Shanghai Jointac International Logistics Co., Ltd			
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	11,024	10,143	14,562
Non-current assets	684	909	608
Current liabilities	(3,401)	(3,864)	(9,849)
Equity attributable to owners of the company	(4,237)	(3,754)	(2,714)
Non-controlling interests	(4,070)	(3,415)	(2,607)

Shanghai Jointac International Logistics Co., Ltd			
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Revenue	16,395	15,116	12,622
Expenses	(13,984)	(12,180)	(10,289)
Profit for the year	2,411	2,936	2,333
Profit attributable to owners of the company	1,230	1,497	1,190
Profit attributable to the non-controlling interests	1,181	1,439	1,143
Profit for the year	2,411	2,936	2,333
Other comprehensive loss attributable to owners of the company	(118)	(37)	(81)
Other comprehensive loss attributable to non-controlling interests	(114)	(36)	(78)
Other comprehensive loss for the year	(232)	(73)	(159)

Notes to Financial Statements

December 31, 2018

Shanghai Jointac International Logistics Co., Ltd			
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Total comprehensive income attributable to owners of the company	1,112	1,460	1,109
Total comprehensive income attributable to non-controlling interests	1,067	1,403	1,065
Total comprehensive income for the year	2,179	2,863	2,174
Net cash inflow from operating activities	2,733	1,919	2,558
Net cash inflow/(outflow) from investing activities	14	(483)	(260)
Net cash outflow from financing activities	(993)	(1,024)	(1,245)
Net cash inflow	1,754	412	1,053

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold building \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000
GROUP								
Cost:								
At January 1, 2016	1,073	2,136	40,469	59,965	30,700	1,590	978	136,911
Currency realignment	(23)	(45)	(271)	(881)	(80)	(27)	(21)	(1,348)
Additions	-	-	159	1,206	1,106	340	9	2,820
Disposals	-	-	(6)	(1,181)	(232)	(122)	-	(1,541)
Transfer to investment properties ⁽²⁾	-	-	(115)	-	-	-	-	(115)
Reclassifications	-	-	-	453	506	-	(959)	-
At December 31, 2016	1,050	2,091	40,236	59,562	32,000	1,781	7	136,727
Currency realignment	24	47	(199)	(630)	(130)	(19)	6	(901)
Additions	-	-	305	6,035	1,905	639	2,703	11,587
Disposals	-	-	(26)	(1,018)	(1,454)	(400)	-	(2,898)
Transfer to investment properties ⁽²⁾	-	-	(242)	-	-	-	-	(242)
Reclassifications	-	-	-	-	7	-	(7)	-
At December 31, 2017	1,074	2,138	40,074	63,949	32,328	2,001	2,709	144,273
Currency realignment	-	-	(220)	(707)	(89)	(35)	(23)	(1,074)
Additions	-	-	197	1,749	727	-	2,932	5,605
Disposals	-	-	(78)	(1,922)	(1,606)	-	-	(3,606)
Transfer to investment properties ⁽²⁾	-	-	(85)	-	-	-	-	(85)
Reclassifications	-	-	55	2,664	28	-	(2,747)	-
At December 31, 2018	1,074	2,138	39,943	65,733	31,388	1,966	2,871	145,113

Notes to Financial Statements

December 31, 2018

	Freehold land \$'000	Freehold building \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000
GROUP								
Accumulated depreciation:								
At January 1, 2016	-	166	6,102	35,128	12,709	1,153	-	55,258
Currency realignment	-	(4)	(104)	(573)	(54)	(18)	-	(753)
Charge for the year	-	43	1,831	3,208	3,467	184	-	8,733
Disposals	-	-	(5)	(1,050)	(228)	(113)	-	(1,396)
Transfer to investment properties ⁽²⁾	-	-	(11)	-	-	-	-	(11)
At December 31, 2016	-	205	7,813	36,713	15,894	1,206	-	61,831
Currency realignment	-	6	(75)	(427)	(101)	(14)	-	(611)
Charge for the year	-	41	1,785	3,319	3,531	247	-	8,923
Disposals	-	-	(21)	(970)	(1,452)	(400)	-	(2,843)
Transfer to investment properties ⁽²⁾	-	-	(29)	-	-	-	-	(29)
At December 31, 2017	-	252	9,473	38,635	17,872	1,039	-	67,271
Currency realignment	-	-	(108)	(493)	(69)	(24)	-	(694)
Charge for the year	-	43	1,757	3,954	3,483	274	-	9,511
Disposals	-	-	(70)	(1,857)	(1,598)	-	-	(3,525)
Transfer to investment properties ⁽²⁾	-	-	(13)	-	-	-	-	(13)
Reclassifications	-	-	-	18	(18)	-	-	-
At December 31, 2018	-	295	11,039	40,257	19,670	1,289	-	72,550
Carrying amount:								
At December 31, 2018	1,074	1,843	28,904	25,476	11,718	677	2,871	72,563
At December 31, 2017	1,074	1,886	30,601	25,314	14,456	962	2,709	77,002
At December 31, 2016	1,050	1,886	32,423	22,849	16,106	575	7	74,896

The carrying amount of the group's plant and machinery includes an amount of \$6,650,000 (December 31, 2017: \$4,043,600; January 1, 2017: \$3,783,000) secured in respect of assets held under finance leases.

Notes to Financial Statements

December 31, 2018

COMPANY

Cost:

At January 1, 2016	30,048	1,722	16,129	388	332	48,619
Transfer ⁽¹⁾	-	-	(1)	-	-	(1)
Additions	-	-	301	206	10	517
Disposals	-	-	(2)	-	-	(2)
Transfer to investment properties ⁽²⁾	(115)	-	-	-	-	(115)
Reclassifications	-	-	342	-	(342)	-
At December 31, 2016	29,933	1,722	16,769	594	-	49,018
Additions	3	-	49	459	50	561
Disposals	-	-	(29)	(388)	-	(417)
Transfer to investment properties ⁽²⁾	(242)	-	-	-	-	(242)
At December 31, 2017	29,694	1,722	16,789	665	50	48,920
Additions	-	-	32	-	740	772
Disposals	-	-	(29)	-	-	(29)
Transfer to investment properties ⁽²⁾	(85)	-	-	-	-	(85)
Reclassification	55	-	55	-	(110)	-
At December 31, 2018	29,664	1,722	16,847	665	680	49,578
Accumulated depreciation:						
At January 1, 2016	2,034	285	3,373	362	-	6,054
Transfer ⁽¹⁾	-	-	(1)	-	-	(1)
Charge for the year	1,227	172	1,771	67	-	3,237
Disposals	-	-	(2)	-	-	(2)
Transfer to investment properties ⁽²⁾	(11)	-	-	-	-	(11)
At December 31, 2016	3,250	457	5,141	429	-	9,277
Charge for the year	1,225	172	1,772	103	-	3,272
Disposals	-	-	(29)	(388)	-	(417)
Transfer to investment properties ⁽²⁾	(29)	-	-	-	-	(29)
At December 31, 2017	4,446	629	6,884	144	-	12,103
Charge for the year	1,219	173	1,779	132	-	3,303
Disposals	-	-	(28)	-	-	(28)
Transfer to investment properties ⁽²⁾	(13)	-	-	-	-	(13)
At December 31, 2018	5,652	802	8,635	276	-	15,365
Carrying amount:						
At December 31, 2018	24,012	920	8,212	389	680	34,213
At December 31, 2017	25,248	1,093	9,905	521	50	36,817
At December 31, 2016	26,683	1,265	11,628	165	-	39,741

Notes to Financial Statements

December 31, 2018

- ⁽¹⁾ This pertains to transfer of plant and equipment to subsidiaries.
- ⁽²⁾ This pertains to transfer to investment properties due to change in tenanted floor space (Note 13).

13 INVESTMENT PROPERTIES

	Freehold land \$'000	GROUP Buildings \$'000	Total \$'000	COMPANY Buildings \$'000
Cost:				
At January 1, 2016	706	3,729	4,435	2,348
Transfer ⁽¹⁾	-	115	115	115
Currency realignment	(15)	(30)	(45)	-
At December 31, 2016	691	3,814	4,505	2,463
Transfer ⁽¹⁾	-	242	242	242
Currency realignment	15	31	46	-
At December 31, 2017	706	4,087	4,793	2,705
Transfer ⁽¹⁾	-	85	85	85
Currency realignment	-	-	-	-
At December 31, 2017	706	4,172	4,878	2,790
Accumulated depreciation:				
At January 1, 2016	-	252	252	130
Transfer ⁽¹⁾	-	11	11	11
Currency alignment	-	(3)	(3)	-
Charge for the year	-	105	105	77
At December 31, 2016	-	365	365	218
Transfer ⁽¹⁾	-	29	29	29
Currency alignment	-	4	4	-
Charge for the year	-	109	109	83
At December 31, 2017	-	507	507	330
Transfer ⁽¹⁾	-	13	13	13
Currency alignment	-	-	-	-
Charge for the year	-	118	118	90
At December 31, 2018	-	638	638	433
Carrying amount:				
At December 31, 2018	706	3,534	4,240	2,357
At December 31, 2017	706	3,580	4,286	2,375
At December 31, 2016	691	3,449	4,140	2,245

Notes to Financial Statements

December 31, 2018

- ⁽¹⁾ This pertains to transfer from property, plant and equipment (Note 12).

The investment properties of the group consist of one unit of freehold land and building located at No. 1, Jalan Mega 1/9, Nusa Cemerlang Industrial Park (NCIP) 79200 Nusajaya, Johor Bahru and certain units in 51 Tai Seng Avenue, Pixel Red, Singapore 533941 (Note 14 (b)).

The property rental income from the group's investment properties all of which are leased out under operating leases, amounted to \$746,000 (2017 : \$757,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$158,000 (2017 : \$127,000).

Fair value measurement of the group's investment properties

The fair values of the group's investment properties at December 31, 2018, December 31, 2017 and January 1, 2017 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the group. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The group classified its investment properties using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the disclosure. As at the end of the reporting period, the fair value measurements of the group's properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at December 31, 2018, December 31, 2017 and January 1, 2017 are as follows:

Description	Fair value as at			Valuation technique(s)	Significant unobservable input(s)	Range		
	December 31, 2018 S\$'000	December 31, 2017 S\$'000	January 1, 2017 S\$'000			December 31, 2018 S\$	December 31, 2017 S\$	January 1, 2017 S\$
Factory comprised of production and office areas	4,446	4,809	4,703	Market comparable approach	Price per square meter ⁽¹⁾	230 to 900	230 to 900	548 to 880
Office building	6,780	6,570	5,750	Market comparable approach	Price per square meter ⁽¹⁾	2,410 to 6,507	2,482 to 5,505	2,969 to 3,501

Notes to Financial Statements

December 31, 2018

⁽¹⁾ Price per square meter is based on recent transactions for similar properties adjusted for location, size, improvement, time element, tenure, prevailing market conditions and all other relevant factors affecting its value. Any significant isolated increases (decreases) in the estimated price per square meter would result in a significantly higher (lower) fair value measurement.

14 LAND USE RIGHTS

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cost:						
At beginning of year	8,839	8,851	8,884	7,971	7,971	7,971
Currency realignment	(26)	(12)	(33)	-	-	-
At end of year	8,813	8,839	8,851	7,971	7,971	7,971
Accumulated amortisation:						
At beginning of year	2,129	1,854	1,587	1,683	1,417	1,151
Reclassification	16	-	-	-	-	-
Amortisation for the year	283	282	283	266	266	266
Currency realignment	(15)	(7)	(16)	-	-	-
At end of year	2,413	2,129	1,854	1,949	1,683	1,417
Carrying amount:						
At end of year	6,400	6,710	6,997	6,022	6,288	6,554

The land use rights comprise the following:

- (a) Lease of land for the group's factory and office buildings located at Jiangsu Province, Xishan City Dang Kou Town, People's Republic of China. The lease will expire in year 2053 and the group does not have an option to purchase the land upon expiry of the rights; and
- (b) Lease of industrial land located at Tai Seng Avenue in Paya Lebar iPark, Singapore from Jurong Town Corporation. The leases will expire in 2041 with an option to extend for additional lease term of 29 years if the company meets certain conditions stipulated by Jurong Town Corporation within five years after the issue of the temporary occupation permit for the building.

Notes to Financial Statements

December 31, 2018

15 INTANGIBLE ASSETS

	Country club memberships \$'000	GROUP Approved replicator rights \$'000	Total \$'000	COMPANY Country club memberships \$'000
Costs:				
At January 1, 2016	341	1,342	1,683	341
Written off during the year	(32)	(1,342)	(1,374)	(32)
At December 31, 2016 and at December 31, 2017	309	-	309	309
Disposed off during the year	(309)	-	(309)	(309)
At December 31, 2018	-	-	-	-
Accumulated amortisation:				
At January 1, 2016	279	1,186	1,465	279
Amortisation for the year	10	-	10	10
Written off during the year	-	(1,186)	(1,186)	-
At December 31, 2016	289	-	289	289
Amortisation for the year	10	-	10	10
At December 31, 2017	299	-	299	299
Amortisation for the year	5	-	5	5
Disposed off during the year	(304)	-	(304)	(304)
At December 31, 2018	-	-	-	-
Impairment loss:				
At January 1, 2016	-	156	156	-
Written off during the year	-	(156)	(156)	-
At December 31, 2016, at December 31, 2017 and at December 31, 2018	-	-	-	-
Carrying amount:				
At December 31, 2018	-	-	-	-
At December 31, 2017	10	-	10	10
At December 31, 2016	20	-	20	20

The approved replicator rights comprise the right to manufacture software products for a major software multinational corporation. It is subject to annual renewal without obligation to make additional payments.

Notes to Financial Statements

December 31, 2018

16 GOODWILL

	GROUP		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cost:			
At beginning and end of year	8,044	8,044	8,044
Impairment:			
At beginning and end of year	(1,353)	(1,353)	(1,353)
Carrying amount:			
At December 31	6,691	6,691	6,691

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
<u>Business segment</u>			
Logistics	6,691	6,691	6,691

The goodwill allocated to the logistics business arose from the acquisition of JNE Logistics Singapore Pte Ltd, over a period from 2004 to 2006.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined using discounted cash flow projections. The key assumptions for the calculations are those regarding the discount rates, growth rates and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on business trends and assumption that the contract with its customer continues to be renewed. Changes in direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent five-year financial budgets approved by management. The terminal growth rate and discount rate used in the budgets are 0% and 10% (2017: 0% and 10%) respectively.

Notes to Financial Statements

December 31, 2018

Based on growth rates used, the net recoverable amount is estimated to exceed the carrying amount as at year end and therefore, no further impairment loss has been recorded during the year. As at December 31, 2018, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

17 TRADE AND OTHER PAYABLES

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Outside parties (trade)	14,282	15,802	15,926	1,241	598	382
Joint venture (trade) (Note 10)	6	50	34	-	37	21
Subsidiaries (non-trade) (Note 11)	-	-	-	4,640	4,656	4,607
Accrued operating expenses	11,704	13,387	20,247	2,978	3,786	4,052
	25,992	29,239	36,207	8,859	9,077	9,062

The average credit period on purchases of goods is 60 to 90 days (2017: 60 to 90 days). No interest is charged on the trade payables.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

18 BANK LOANS

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
At amortised cost	-	233	12,564	-	-	12,500

The group has the following bank loans:

- (a) During the preceding financial year, the group has fully repaid an unsecured bank loan which bears interest at swap rate plus 1.65% per annum and is repayable in 14 quarterly instalments, commencing on September 30, 2014. The loan is guaranteed by certain subsidiaries. The average effective interest rate is Nil (2017: 2.6%).

Notes to Financial Statements

December 31, 2018

(b) In 2017 a loan of \$233,000 was guaranteed by a subsidiary. The average effective interest rate was 5.3%.

The table below details changes in the group's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the group's consolidated statement of cash flows from financing activities.

	Non-cash changes				December 31, 2017 \$'000
	January 1, 2017 \$'000	Financing cash flows \$'000	Foreign exchange movement \$'000	New finance leases \$'000	
Bank loans (Note 18)	12,564	(12,337)	6	-	233
Finance lease (Note 19)	1,330	(886)	6	483	933
	13,894	(13,223)	12	483	1,166

	Non-cash changes				December 31, 2018 \$'000
	January 1, 2018 \$'000	Financing cash flows \$'000	Foreign exchange movement \$'000	New finance leases \$'000	
Bank loans (Note 18)	233	(237)	4	-	-
Finance lease (Note 19)	933	(1,118)	82	4,403	4,300
	1,166	(1,355)	86	4,403	4,300

Notes to Financial Statements

December 31, 2018

19 FINANCE LEASES

	GROUP			Present value of minimum lease payments		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Amounts payable under finance leases:						
Within one year	1,111	668	1,093	995	578	940
In the second to fifth years inclusive	3,470	376	465	3,305	355	390
Less: Future finance charges	(281)	(111)	(228)	-	-	-
Present value of lease obligations	4,300	933	1,330	4,300	933	1,330
Less: Amount due for settlement within 12 months (shown under current liabilities)				(995)	(578)	(940)
Amount due for settlement after 12 months				3,305	355	390

The group's obligation under finance leases are secured by the lessors' title to the lease assets. The weighted average effective interest rate implicit in the lease is 4.1% per annum (2017: 3.9%).

Notes to Financial Statements

December 31, 2018

20 DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax assets and liabilities recognised by the group and the company, and movements thereon during the current and prior reporting periods:

GROUP

	Accelerated tax depreciation \$'000	Other temporary differences \$'000	Tax losses \$'000	Total \$'000
Deferred tax liabilities (assets)				
At January 1, 2016	2,095	(136)	(71)	1,888
Credit to other comprehensive income for the year	-	(11)	-	(11)
Charge (Credit) to profit or loss for the year (Note 29)	904	(222)	18	700
Currency realignment	4	(5)	1	-
At December 31, 2016	3,003	(374)	(52)	2,577
Credit to other comprehensive income for the year	-	(8)	-	(8)
(Credit) Charge to profit or loss for the year (Note 29)	(168)	7	(22)	(183)
Currency realignment	(16)	13	4	1
At December 31, 2017	2,819	(362)	(70)	2,387
Credit to other comprehensive income for the year	13	-	-	13
(Credit) Charge to profit or loss for the year (Note 29)	(155)	187	9	41
Currency realignment	5	8	4	17
At December 31, 2018	2,682	(167)	(57)	2,458

COMPANY

	Accelerated tax depreciation \$'000
Deferred tax liabilities	
At January 1, 2016	596
Charge to profit or loss for the year	634
At December 31, 2016	1,230
Credit to profit or loss for the year	(190)
At December 31, 2017	1,040
Credit to profit or loss for the year	(184)
At December 31, 2018	856

Notes to Financial Statements

December 31, 2018

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 the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	GROUP			COMPANY		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Deferred tax liabilities	2,742	2,693	2,884	856	1,040	1,230
Deferred tax asset	(284)	(306)	(307)	-	-	-
Total	2,458	2,387	2,577	856	1,040	1,230

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$31,701,300 (2017 : \$28,855,300). No liabilities has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

21 POST EMPLOYMENT BENEFITS

The group operates a defined severance benefit scheme for qualifying employees of its subsidiary in Indonesia in accordance with Indonesian Labour Law No. 13/2003 and for qualifying employees of its subsidiary in India in accordance with The Payment of Gratuity Act, 1972, based on service and last salary. The number of employees entitled to the benefits for Indonesia is 73 (2017: 76) and for India is 5 (2017: Nil). The subsidiaries did not set up fund for this program.

The plan in Indonesia and India typically exposes the Group to actuarial risks such as: interest rate risk, longevity risk and salary risk.

Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to Financial Statements

December 31, 2018

Amounts recognised in the statement of profit or loss and other comprehensive income in respect of these post-employment benefits are as follows:

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Service costs:			
Current service cost	52	46	40
Past service cost and loss from settlements	3	-	1
Net interest expense	34	30	24
Foreign exchange difference	-	-	2
Components of defined benefits cost recognised in profit or loss	89	76	67
Remeasurement on the net defined benefit liability:			
Actuarial (losses) gains arising from changes in experience adjustments	(4)	(1)	10
Actuarial gains arising from changes in financial assumptions	(45)	35	35
Actuarial gains arising from changes in obligations	(3)	-	-
Components of defined benefits cost recognised in other comprehensive income	(52)	34	45
Total	37	110	112

The amount recognised in the statement of financial position in respect of the group's post-employment benefits is as follows:

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Present value of unfunded obligations	490	463	390

Notes to Financial Statements

December 31, 2018

Movement in the present value of the defined benefits obligation were as follows:

	December 31, 2018 \$'000	GROUP December 31, 2017 \$'000	January 1, 2017 \$'000
Defined benefit obligation:			
At beginning of year	463	390	263
Current service costs	52	46	40
Past service cost and loss from settlements	19	-	1
Interest costs	34	30	24
Benefits paid	(1)	(1)	(1)
Actuarial loss	(55)	33	48
Foreign exchange difference	(22)	(35)	15
At end of year	490	463	390

The cost of providing post employment benefits is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions:

	December 31, 2018	GROUP December 31, 2017	January 1, 2017
Discount rate	7.70% to 8.25%	7.25%	8.00%
Salary incremental rate	8% to 10%	8%	8%
Mortality rate	100% TMI3* IALM(2006-08) ult**	100% TMI3* IALM(2006-08) ult**	100% TMI3* IALM(2006-08) ult**
Disability rate	5% TMI3* IALM(2006-08) ult**	5% TMI3* IALM(2006-08) ult**	5% TMI3* IALM(2006-08) ult**
Resignation rate	5% to 10% p.a.	10% p.a.	10% p.a.
Early retirement rate	N/A	N/A	N/A
Normal retirement rate	100%	100%	100%
Other termination rate	Nil	Nil	Nil

* TMI3 represents Table of Mortality Indonesian 3.

** IALM(2006-08) ult represents Indian Assured Lives Mortality (2006-08) ultimate

The average duration of the benefit obligation at December 31, 2018 for Indonesia is 12.63 years (2017: 13.17 years) and for India is 9.03 years (2017: Nil). The group expects to contribute approximately \$26,000 (2017: \$11,000) to its defined benefit plan in the subsequent financial year.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and salary incremental rate.

Notes to Financial Statements

December 31, 2018

The group has assessed that any reasonably possible change to the key assumptions applied is not likely to cause the retirement benefit obligations to increase/decrease significantly. Accordingly, no sensitivity analysis is performed.

22 SHARE CAPITAL

	GROUP AND COMPANY					
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	Number of ordinary shares			Amount		
	'000	'000	'000	\$'000	\$'000	\$'000
Issued and paid up:						
At beginning and end of year	233,550	233,550	233,550	23,852	23,852	23,852

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividend as and when declared by the company.

23 STATUTORY SURPLUS RESERVE

In accordance with the relevant PRC regulations and the articles of association, the subsidiaries in PRC are required to allocate, where applicable, certain percentage of profit after taxation as determined in accordance with PRC accounting standards and regulations, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the entity. Subject to certain restrictions set out in the Company Law of the PRC and articles of association, the statutory surplus reserve can be used to make up for losses or for conversion to share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital of the relevant subsidiary.

In accordance with the relevant laws and regulations of Thailand, the subsidiary in Thailand is required to set up a reserve fund to allocate, at each distribution of dividend, a certain percentage of profit after taxation, to the reserve fund until such reserve reaches 10% of the registered capital of the entity.

Notes to Financial Statements

December 31, 2018

24 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time and over time in the following major product/service lines. This is consistent with the revenue that is disclosed for each reportable segment (see Note 34).

A disaggregation of the Group's revenue for the year is as follows:

	GROUP	
	2018 \$'000	2017 \$'000
Sale of goods ⁽¹⁾	89,672	94,001
Logistics services ⁽²⁾	73,204	75,544
Scrap sales ⁽¹⁾	1,687	1,595
Management and consultancy services ⁽²⁾	250	279
Rental income	746	757
Others	49	16
	165,608	172,192

⁽¹⁾ Recognised at a point in time

⁽²⁾ Recognised over time

There are no performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

25 OTHER OPERATING INCOME

	GROUP	
	2018 \$'000	2017 \$'000
Gain on disposal of property, plant and equipment	83	87
Interest income on bank deposits	294	176
Government grant	402	479
Carpark rental income	90	80
Others	253	184
	1,122	1,006

Notes to Financial Statements

December 31, 2018

26 OTHER OPERATING EXPENSES

	GROUP	
	2018 \$'000	2017 \$'000
Transportation and storage expenses	30,785	30,956
Rental and utilities expenses	10,201	9,851
Marketing expenses	650	589
Net foreign exchange (gains) losses	(373)	1,048
Upkeep of property, plant and equipment	3,179	3,014
Maintenance costs	1,331	1,438
Property tax	519	506
Professional fees	1,557	1,438
Staff welfare, entertainment and travelling expenses	2,477	2,414
Sub-contracting costs	1,093	1,059
Others	1,888	2,009
	<u>53,307</u>	<u>54,322</u>

27 FINANCE COSTS

	GROUP	
	2018 \$'000	2017 \$'000
Interest expense on:		
Bank borrowings	26	286
Finance leases	198	159
	<u>224</u>	<u>445</u>

Notes to Financial Statements

December 31, 2018

28 PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	GROUP	
	2018 \$'000	2017 \$'000
<u>Employee benefit expenses (including directors' remuneration):</u>		
Employee remuneration	40,866	41,408
Defined contribution plans	4,926	4,392
Defined benefit plans	27	110
Total employee benefits expense	<u>45,819</u>	<u>45,910</u>
 Directors' remuneration:		
- of the company	2,417	2,795
- of the subsidiaries	311	343
Total directors' remuneration	<u>2,728</u>	<u>3,138</u>
 Directors' fees:		
- of the company	<u>231</u>	<u>231</u>
 Audit fees:		
- paid/payable to auditors of the company	222	217
- paid/payable to other auditors	172	179
Total audit fees	<u>394</u>	<u>396</u>
 Non-audit fees:		
- paid/payable to auditors of the company	108	110
- paid/payable to other auditors	22	9
Total non-audit fees	<u>130</u>	<u>119</u>
 Aggregate amount of fees paid to auditors	<u>524</u>	<u>515</u>

Notes to Financial Statements

December 31, 2018

	GROUP	
	2018 \$'000	2017 \$'000
Net foreign exchange (gains) losses	(373)	1,048
Write-back of inventories	(8)	(210)
Bad debts written off	9	1
Gain on disposal of property, plant and equipment	(83)	(87)
Cost of inventories recognised as an expense	46,302	46,648
<u>Depreciation and amortisation:</u>		
Depreciation of property, plant and equipment	9,511	8,923
Depreciation of investment properties	118	109
Amortisation of land use rights	283	282
Amortisation of intangible assets	5	10
Total depreciation and amortisation	9,917	9,324

29 INCOME TAX EXPENSE

	GROUP	
	2018 \$'000	2017 \$'000
Current tax	3,278	4,175
Withholding tax	128	226
Deferred tax (Note 20)	58	(182)
Overprovision in prior years:		
Current tax	(482)	(144)
Deferred tax (Note 20)	(17)	(1)
Income tax expense for the year	2,965	4,074

Domestic income tax is calculated at 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 Financial Statements

December 31, 2018

The total charge for the financial year can be reconciled to the accounting profit as follows:

	GROUP			
	2018		2017	
	\$'000	%	\$'000	%
Profit before tax	11,393		16,854	
Tax at the domestic income tax rate of 17%	1,937	17.0	2,865	17.0
Tax effect of share of results of joint venture	(39)	(0.3)	(52)	(0.3)
Tax effect of expenses that are not deductible in determining taxable profit	978	8.6	755	4.5
Tax-exempt income	(167)	(1.5)	(259)	(1.5)
Effect of different tax rates of subsidiaries operating in other jurisdiction	472	4.1	584	3.5
Deferred tax benefits not recognised	176	1.5	122	0.7
Overprovision in prior years	(499)	(4.4)	(145)	(0.9)
Withholding tax	128	1.1	226	1.3
Others	(21)	(0.1)	(22)	(0.1)
Total income tax expense	2,965	26.0	4,074	24.2

Subject to agreement with the Comptroller of Income Tax and compliance with certain conditions of the relevant tax legislations, certain subsidiaries have unabsorbed tax losses and capital allowances which are available for set off against future taxable income of the respective subsidiaries as follows:

	GROUP	
	2018 \$'000	2017 \$'000
<u>Tax losses</u>		
At beginning of year	3,800	4,629
Prior year adjustment	-	(1,000)
Arising in current year	962	185
Currency realignment	(143)	(14)
At end of year	4,619	3,800

Notes to Financial Statements

December 31, 2018

	GROUP	
	2018 \$'000	2017 \$'000
<u>Temporary differences</u>		
At beginning of year	1,366	574
Prior year adjustment	(22)	372
Arising in current year	-	410
Utilised in current year	(61)	-
Currency realignment	(12)	10
At end of year	1,271	1,366
Deferred tax benefit on above, unrecorded ¹	990	1,044
Deferred tax benefit on above, recorded	284	306

¹ The above deferred tax benefit has not been recognised due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of \$1,424,000 (2017: \$1,428,000) that will expire in 2022. Other tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

30 DIVIDENDS

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Dividends paid during the year were as follows:				
(i) Final dividends of 1.00 cents (2017: 1.50 cents) per share in respect of the preceding year	2,336	3,503	2,336	3,503
(ii) Special dividends of 1.00 cents (2017: Nil cents) per share in respect of the preceding year	2,335	-	2,335	-
(iii) Interim dividends of 0.50 cents (2017: 0.50 cents) per share in respect of the current year	1,168	1,168	1,168	1,168
	5,839	4,671	5,839	4,671

In respect of the current year, the directors propose that a final dividend of 1.00 cents per share will be paid to shareholders, subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$2,335,500.

Notes to Financial Statements

December 31, 2018

31 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the company is based on the following data:

	GROUP	
	2018 \$'000	2017 \$'000
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the company)	7,109	11,254
	2018 \$'000	2017 \$'000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted earning per share	233,550	233,550

32 COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(i) Guarantees given to banks in respect of credit facilities of subsidiaries (unsecured)	-	-	47,753	39,035

The amount of guarantees given by the company relates to facilities granted to the subsidiaries and the subsidiaries have not utilised these facilities fully.

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(ii) Estimated amounts committed for acquisition of property, plant and equipment	2,724	1,192	620	-

Notes to Financial Statements

December 31, 2018

33 OPERATING LEASE ARRANGEMENTS

	GROUP	
	2018	2017
	\$'000	\$'000
<u>The group as lessee</u>		
Minimum lease payments paid under operating leases recognised as an expense	8,725	8,548

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP	
	2018	2017
	\$'000	\$'000
Within one year	6,986	6,181
In the second to fifth years inclusive	5,115	3,125
Total excluding the commitments stated in the following paragraphs	12,101	9,306

These pertain mainly to commitments in respect of non-cancellable operating leases for the rental of warehouse and office equipment.

The group as lessor

The group rents out its investment properties (Note 13) in Singapore and Malaysia under operating leases. Property rental income earned during the year was \$746,000 (2017: \$757,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating properties amounted to \$158,000 (2017: \$127,000).

At the end of the reporting period, the group has contracted with tenants for the following future minimum lease payments:

	GROUP	
	2018	2017
	\$'000	\$'000
Within one year	716	632
In the second to fifth years inclusive	841	607
After five years	1,557	1,239

Notes to Financial Statements

December 31, 2018

34 SEGMENT INFORMATION

Business segments

With effect from April 1, 2018, the group has organised its structure into the following business segments as part of the group's continued pursuit on strategic focus:

- (i) Packaging printing which includes printing and packaging, digital database management, packaging design and provision of value chain services;
- (ii) Logistics which includes third party logistics, return, refurbishment and remarketing services for computer equipment;
- (iii) Services which includes property management and others.

The above segments are the basis on which the group reports its primary segment information.

The accounting policies of the reportable segments are the same as the group's accounting policies described in Note 2. This is also the information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to Financial Statements

December 31, 2018

SEGMENT REVENUES AND RESULTS

The following is an analysis of the group's revenue and results by reportable segments.

	Packaging Printing \$'000	Logistics \$'000	Services \$'000	Elimination \$'000	Total \$'000
2018					
REVENUE					
External sales	91,337	73,257	1,014	-	165,608
Inter-segment sales	33,218	9,306	14,894	(57,418)	-
Total revenue	124,555	82,563	15,908	(57,418)	165,608
RESULTS					
Segment results	(62)	9,729	596	-	10,263
Interest income					294
Other income					828
Profit from operations					11,385
Share of profit of joint venture					232
Finance costs					(224)
Profit before tax					11,393
Income tax expense					(2,965)
Profit for the year					8,428
OTHER SEGMENT INFORMATION					
Capital expenditure	4,526	307	772	-	5,605
Depreciation and amortisation	5,518	733	3,666	-	9,917

Notes to Financial Statements

December 31, 2018

	Packaging Printing \$'000	Logistics \$'000	Services \$'000	Elimination \$'000	Total \$'000
2017					
REVENUE					
External sales	95,648	75,564	980	-	172,192
Inter-segment sales	29,267	9,904	14,856	(54,027)	-
Total revenue	124,915	85,468	15,836	(54,027)	172,192
RESULTS					
Segment results	3,500	12,602	(118)	-	15,984
Interest income					176
Other income					834
Profit from operations					16,994
Share of profit of joint venture					305
Finance costs					(445)
Profit before tax					16,854
Income tax expense					(4,074)
Profit for the year					12,780
OTHER SEGMENT INFORMATION					
Capital expenditure	9,811	1,216	560	-	11,587
Depreciation and amortisation	4,927	768	3,629	-	9,324

Notes to Financial Statements

December 31, 2018

SEGMENT ASSETS AND LIABILITIES

	Packaging Printing \$'000	Logistics \$'000	Services \$'000	Elimination \$'000	Total \$'000
2018					
<u>Assets</u>					
Segment assets	87,980	52,615	52,661	-	193,256
Unallocated assets					284
Consolidated total assets					193,540
<u>Liabilities</u>					
Segment liabilities	15,646	10,842	4,294	-	30,782
Unallocated liabilities					5,397
Consolidated total liabilities					36,179
	Packaging Printing \$'000	Logistics \$'000	Services \$'000	Elimination \$'000	Total \$'000
2017					
<u>Assets</u>					
Segment assets	86,906	54,262	51,275	-	192,443
Unallocated assets					306
Consolidated total assets					192,749
<u>Liabilities</u>					
Segment liabilities	14,749	11,615	4,504	-	30,868
Unallocated liabilities					5,366
Consolidated total liabilities					36,234

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than deferred tax assets. Goodwill has been allocated to reportable segments as described in Note 16. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Notes to Financial Statements

December 31, 2018

REVENUES FROM MAJOR PRODUCTS AND SERVICES

The group's revenue from each product and service is as described under business segments.

GEOGRAPHICAL INFORMATION

The group operates in nine geographical market segments - Singapore, People's Republic of China, Indonesia, Malaysia, Thailand, Japan, Australia, India and Taiwan.

The group's revenue from external customers and information about its segment assets (non-current assets) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore	92,694	99,969	66,917	71,022
People's Republic of China	49,355	49,913	15,920	15,240
Indonesia	14,407	13,468	4,464	4,141
Malaysia	3,994	4,062	8,850	9,645
Thailand	664	506	63	8
Japan	2,147	2,113	231	167
Australia	884	731	87	125
India	742	766	221	10
Taiwan	721	664	23	15
	165,608	172,192	96,776	100,373

INFORMATION ABOUT MAJOR CUSTOMERS

In 2018 and 2017, the logistics segment has one customer whose revenue exceeds ten percent of the group's revenue.

Additional Information on Directors Seeking Re-election

Mr Gerard Tan Wee Seng and Mr Thomas Chua Kee Seng are the Directors seeking re-election at the annual general meeting of the Company on 25 April 2019 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

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

NAME OF DIRECTOR	GERARD TAN WEE SENG	THOMAS CHUA KEE SENG
Date of appointment	20 February 2013	30 June 1983
Date of last re-appointment (if applicable)	27 April 2016	N.A.
Age	64	64
Country of principal residence	Singapore	Singapore
The Board’s comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualifications, expertise, work experience and suitability of Mr Gerard Tan Wee Seng for re-election as Independent Director of the Company. The Board has accepted the NC’s recommendation and concluded that Mr Tan continue to possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.”	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the performance, contributions, in-depth knowledge in the packaging printing and logistics businesses and suitability of Mr Thomas Chua Kee Seng for re-election as Chairman & Managing Director of the Company. The Board has accepted the NC’s recommendation and concluded that Mr Chua possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. The Teckwah Group will continue to grow and benefit under the stewardship of Mr Chua.
Whether Board appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Responsible for setting directions, formulating corporate strategies and overall management of the Group’s businesses.
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Independent Director, Member of Audit Committee	Chairman & Managing Director, Member of Nominating Committee
Academic / professional qualifications	Bachelor of Accountancy (Hons) from University of Singapore Chartered Accountant - Institute of Chartered Accountants (England & Wales) (1982) Practising Certified Public Accountant of Singapore (1994 - 2012) Non-Practising Singapore Chartered Accountant (formerly Certified Public Accountant of Singapore) (2012 to present) Fellow of the Institute of Singapore Chartered Accountants	Bachelor of Arts Degree from Nanyang University, Singapore

Additional Information on Directors Seeking Re-election

Additional Information on Directors Seeking Re-election

NAME OF DIRECTOR	GERARD TAN WEE SENG	THOMAS CHUA KEE SENG
Working experience and occupation(s) during the past 10 years	Partner of PricewaterhouseCoopers LLP (2009 to June 2012)	Chairman & Managing Director (from 2002 to present)
Shareholding interest in the listed issuer and its subsidiaries	Nil	Direct interest: 1,900,000 shares Deemed interest: 1,808,000 shares
Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/or substantial shareholder	Nil	<ul style="list-style-type: none"> • Mai Ah Ngo (Spouse) - Executive Director • James Chua Kee Hin (Brother) - Senior Regional Business Operations Director of Teckwah Value Chain Pte Ltd (“TVC”) • Goh Bong Chee (Cousin) - Senior Sourcing and Purchasing Manager of TVC • Chua Bee Lay (Sister) - Program Manager of TVC • Chua Ai Ling (Daughter) - Group Business Development Director • Chua Xing Ling (Daughter) - Corporate Planning and Enterprise Risk Management Manager • Chua Bao Hui (Daughter) - Manager, Corporate Communications • Calvin Ong Shan Qian (Nephew) - Sourcing and Purchasing Manager of TVC
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships		
Past 5 years	<ul style="list-style-type: none"> • Independent Director of Kronologi Asia Berhad • Director of Singapore Institute of Directors • Council Member of Catholic Business Network • Board Member of SUN-DAC 	<ul style="list-style-type: none"> • Nominated Member of Parliament • Council Vice-Chairman & member (Executive Committee) of Singapore Business Federation • President of Singapore Chinese Chamber of Commerce & Industry • Board of Trustees Director / Board of Trustees of Chinese Development Assistance Council • Chairman of Finance & Establishment Committee of Chinese Development Assistance Council • Council Member of Future Economy Council • Member of Council for Skills, Innovation & Productivity

Additional Information on Directors Seeking Re-election

Additional Information on Directors Seeking Re-election

NAME OF DIRECTOR	GERARD TAN WEE SENG	THOMAS CHUA KEE SENG
Present	<ul style="list-style-type: none"> • Director of Singapore Deposit Insurance Corporation Ltd • Audit Committee Member of National Council of Social Service • Council Member of Archdiocesan Land & Property Singapore 	<ul style="list-style-type: none"> • Chairman & Managing Director of Teckwah Industrial Corporation Ltd • Director of Teckwah Group's subsidiaries and associated companies. • Immediate Past President of Singapore Chinese Chamber of Commerce & Industry • Board member of Singapore Chinese Chamber of Commerce Foundation • Board Member of The Financial Board of the Singapore Chinese Chamber of Commerce • Vice Chairman of Chinese Chamber of Realty Pte Ltd. • Board of Directors of Business China • Member of Committee to Review Salaries of the President, Prime Minister and Political Appointment Holders • Chairman / Board of Trustees of Kim Mui Hoey Kuan • Vice President of Singapore Hokkien Huay Kuan • Member of The Hokkien Foundation Management Committee • Director of Singapore Hokkien Huay Kuan Cultural Academy Pte Ltd.
Disclose the following matters concerning appointment/re-appointment of director, chief executive 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 me or against a partnership of which I was a partner at the time when I was a partner or at any time within 2 years from the date I 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 I was a director or an equivalent person or a key executive, at the time when I was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date I 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 me?	No	No
(d) Whether I have ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or have been the subject of any criminal proceedings (including any pending criminal proceedings of which I am aware) for such purpose?	No	No

Additional Information on Directors Seeking Re-election

Additional Information on Directors Seeking Re-election

NAME OF DIRECTOR	
(e) Whether I have 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 I am aware) for such breach?	
(f) Whether at any time during the last 10 years, judgment has been entered against me 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 my part, or I have been the subject of any civil proceedings (including any pending civil proceedings of which I am aware) involving an allegation of fraud, misrepresentation or dishonesty on my part?	
(g) Whether I have ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	
(h) Whether I have 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?	
(i) Whether I have ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining me from engaging in any type of business practice or activity?	
(j) Whether I have ever, to my 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 (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 (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 (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 I was so concerned with the entity or business trust?	
(k) Whether I have been the subject of any current or past investigation or disciplinary proceedings, or have 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?	
Disclosure applicable to the appointment of Director only	
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) 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).	

Additional Information on Directors Seeking Re-election

GERARD TAN WEE SENG	THOMAS CHUA KEE SENG
No	No
No	No
No	No
No	No
No	No
No	No
No	No
No	No
No	No
N.A.	N.A.
N.A.	N.A.

Statistics of Shareholdings

As At March 4, 2019

NUMBER OF FULLY PAID AND ISSUED SHARES	: 233,550,248
CLASS OF SHARES	: Ordinary Shares
VOTING RIGHTS	: 1 vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	1	0.04	18	0.00
100 - 1,000	43	1.63	33,991	0.01
1,001 - 10,000	1,802	68.28	6,934,748	2.97
10,001 - 1,000,000	767	29.06	51,710,675	22.14
1,000,001 and above	26	0.99	174,870,816	74.88
TOTAL	2,639	100.00	233,550,248	100.00

TWENTY LARGEST SHAREHOLDERS AS AT MARCH 4, 2019

	Name of shareholder	No. of shares	% of shares
1	CHUA SENG TEK HOLDINGS PTE LTD	69,811,980	29.89
2	AIRJET INVESTMENTS PTE LTD	36,084,500	15.45
3	LEE KAY HUAN HOLDINGS PTE LTD	26,216,900	11.23
4	DBS NOMINEES PTE LTD	4,697,300	2.01
5	RAFFLES NOMINEES (PTE) LTD	4,263,800	1.83
6	OCBC SECURITIES PRIVATE LTD	2,883,000	1.23
7	ABN AMRO CLEARING BANK N.V.	2,484,600	1.06
8	MAYBANK KIM ENG SECURITIES PTE LTD	2,391,000	1.02
9	NG KWONG CHONG OR LIU OI FUI IVY	2,353,000	1.01
10	CHUA KEE TEANG	2,200,000	0.94
11	CITIBANK NOMINEES SINGAPORE PTE LTD	2,088,000	0.89
12	CHUA KEE SENG	1,900,000	0.81
13	ROCKVILLE HOLDINGS PTE LTD	1,808,000	0.77
14	SEET CHRISTINA	1,765,000	0.76
15	CHUA KUAN LIM CHARLES	1,599,500	0.68
16	HO CHUN HSIEN (HE JUNXIAN)	1,530,000	0.66
17	HUNG JEN HUI	1,244,200	0.53
18	PHILLIP SECURITIES PTE LTD	1,127,000	0.48
19	GOH BONG CHEE	1,082,400	0.46
20	SHIRLAW JAMES NICHOLAS	1,059,000	0.45
	Total:	168,589,180	72.16

The percentage of shareholding held in the hands of the public is approximately 41.112% which is more than 10% of the issued share capital of the Company. Therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been compiled with.

Substantial Shareholders

AS AT MARCH 4, 2019

as recorded in the Company’s Register of Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%*	No. of Shares	%*
Chua Seng Tek Holdings Pte Ltd	69,811,980	29.89	-	-
Lee Kay Huan Holdings Pte Ltd ¹	26,216,900	11.23	-	-
Airjet Investments Pte Ltd ²	35,200,000	15.07	-	-

NOTES:

- 1) Mr Lee Chee Sit and Mr Lee Chee Peck are deemed to have an interest in the 26,216,900 shares which Lee Kay Huan Holdings Pte Ltd has an interest in by virtue of Section 4 of the Securities and Futures Act, Chapter 289.
- 2) Ho Bee Holdings Pte Ltd and Mr Chua Thian Poh are deemed to have an interest in the 35,200,000 shares which Airjet Investments Pte. Ltd. has an interest in by virtue of Section 4 of the Securities and Futures Act, Chapter 289.





* Based on 233,550,248 ordinary shares as at March 4, 2019.



TECKWAH INDUSTRIAL CORPORATION LTD

(Company Registration Number: 197201105E)

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