DYNAMIC COLOURS

DYNAMIC COLOURS LIMITED

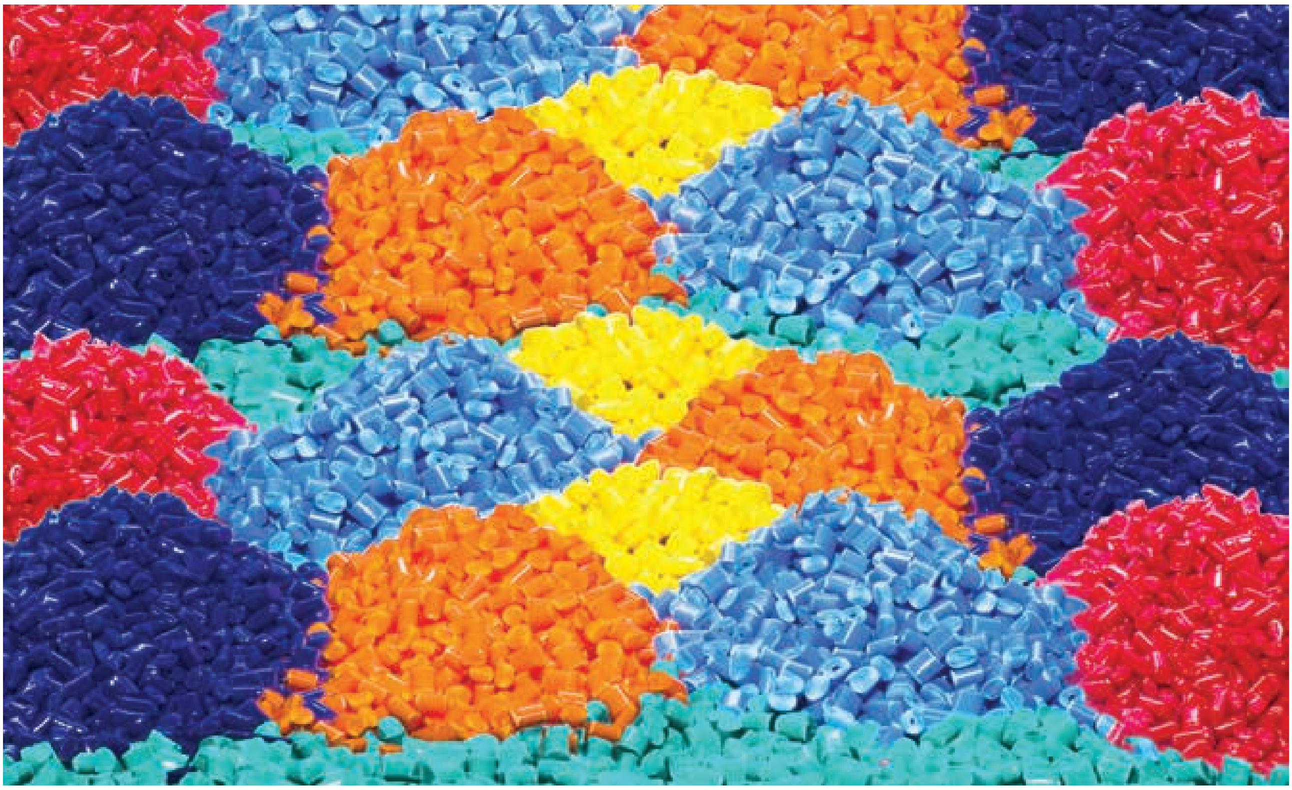
FOSTERING GROWTH

ANNUAL REPORT

2019

CONTENTS

CORPORATE PROFILE



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

We supply our resin compounding products to plastic injection moulders and original equipment manufacturers who in turn serve customers such as Hewlett-Packard, Sharp, Omron, i-Robot and Lego. Our production facilities located in Malaysia and Vietnam are strategically near existing and potential clients to meet their just-in-time requirement.

In Malaysia, our production facilities also manufacture heavy-duty polyethylene bags and industrial stretch hoods plastic packaging materials. We serve mainly the petrochemical industries in South East Asia and count amongst our customers leading companies such as ExxonMobil, Petronas, Chevron Phillips and The Polyolefin Company (Singapore) Pte Ltd.

CHAIRMAN'S STATEMENT

Without exception, the economic climate will continue to remain challenging with the ongoing trade war between the US and China. With the Covid-19 outbreak, it may weigh on and impact the Group in the next 12 months. However, Management will continue to remain vigilant and explore new and viable business opportunities as they arise.

DEAR SHAREHOLDERS,

Greetings to our shareholders and it is my pleasure to serve as Chairman of Dynamic Colours Limited from 1 January 2020. I would like to thank Mr. Yeo Hock Leng for his chairmanship since the Company's IPO in 2007. He will continue to serve as the Group Chief Executive Officer, to contribute and take the Group to the next level. I will also provide continuity as well as enhance the diversity of leadership on the Board.

Having bagged the Best Managed Board – Silver Award by the Singapore Corporate Award for 2017 and 2018, we are proud to be amongst the 95 Singapore-listed companies with high corporate governance standards and good compliance track records to be placed on the SGX Fast Track list as announced by SGX RegCo. This allows us to enjoy prioritised response on selected corporate action submissions, including circulars, requests for waiver and applications for share issuance.

FY2019 is an eventful and tough year for many businesses, particularly those with cross-border operations like ours. On top of existing global trade and political tensions, the Covid-19 outbreak is a big risk factor added to Asian and global economic uncertainties besides health risks. These macroeconomic factors are already causing some shifts in the global supply chain from China to Southeast Asia. The Group will capitalise on such shifts with its plants in Malaysia and Vietnam, following the cessation of our production in China to pave way for the compulsory land acquisition by the Suzhou authorities. The Group will continue to consolidate its current resources and operational capacities to build on our existing businesses through upgrading, diversification and risk management.

Notwithstanding the many challenges in 2019, the Group is pleased to achieve higher profitability for the financial year and to maintain its value to shareholders through a dividend payout.

OPERATING HIGHLIGHTS

The Group reported a 107.2% increase in Profit for the Financial Year to US$2.88 million in comparison with US$1.39 million last year despite revenue falling by 12.2% to US$35.86 million from US$40.82 million. This was largely contributed by a 24% increase in our Polyethylene Packaging ("PP") sales tonnage as well as the improved Group gross profit margin at 19.8% made possible by the disproportionately lower cost of sales. Even with the winding down of our Suzhou production facilities, our continuing operations in Singapore, Malaysia and Vietnam generated a Profit Before Tax ("PBT") of US$3.34

CHAIRMAN'S STATEMENT

million against a PBT of the China discontinued operations at US$0.42 million for the financial year ended 31 December 2019. Therefore, our strategic decision to exit China with the compulsory acquisition by the Chinese authorities was timely, especially with the present challenging macro-economic landscape.

Alongside the better financial results, the Group through efficient management of its working capital, achieved a positive cashflow from its operating activities of US$8.37 million. The higher operating cashflow as compared with US$3.35 million in 2018 was mainly contributed by better inventory control and effective receivables collections. Net cash from investing activities was boosted by the compensation received in advance from the Suzhou authorities to date of US$5.12 million. As a result of conscientious effort to lower borrowings, net cash outflow from financing activities have reduced substantially. Collectively, the Group ended the year with a strong cash and cash equivalents position at US$19.35 million.

LOOKING AHEAD

Without exception, the economic climate will continue to remain challenging with the ongoing trade war between the US and China. With the Covid-19 outbreak, it may weigh on and impact the Group in the next 12 months. However, Management will continue to remain vigilant and explore new and viable business opportunities as they arise.

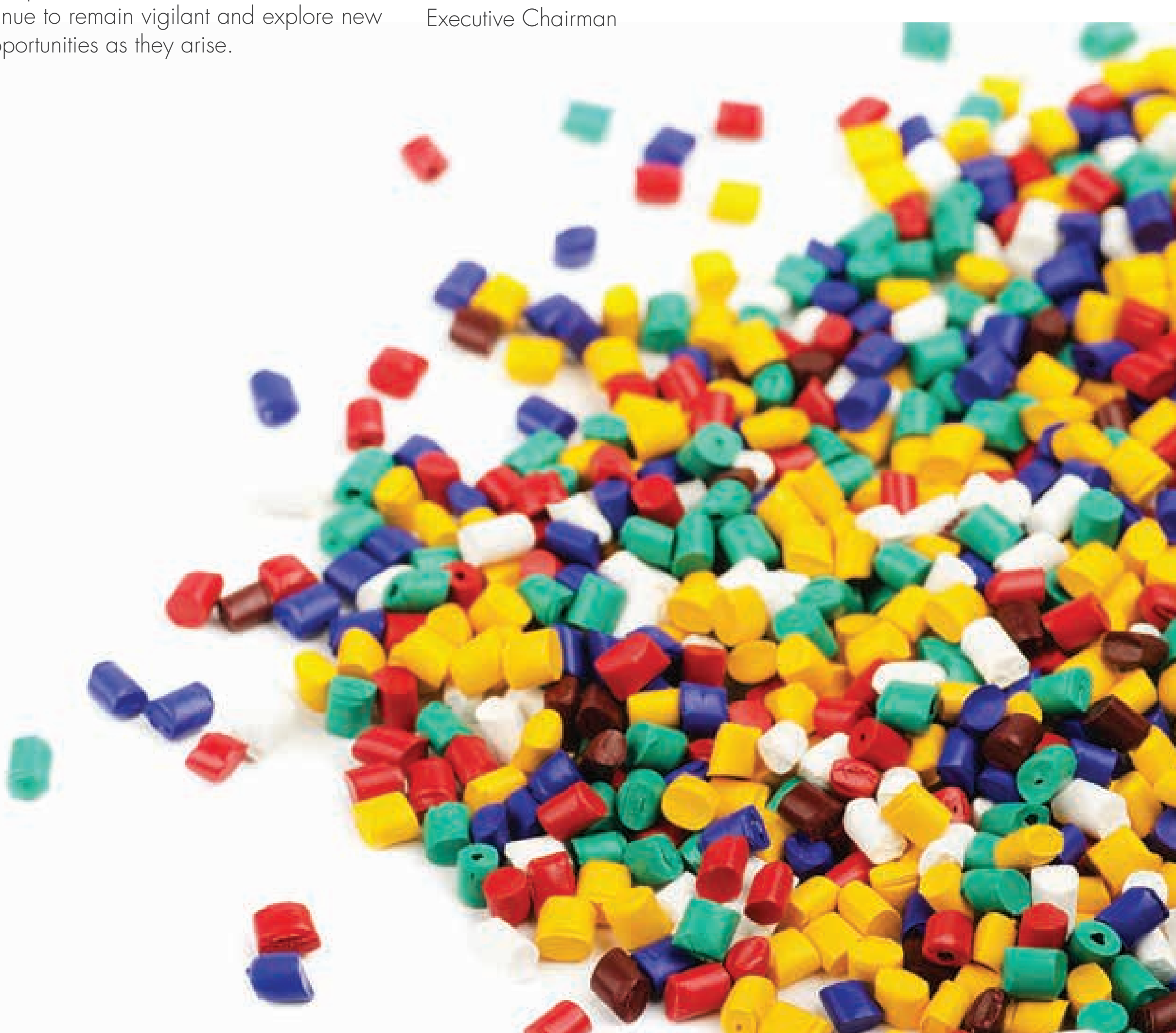
DIVIDEND

For the financial year ended 31 December 2019, the Board has recommended a final dividend of S$0.01 per share (tax exempt), which equates to approximately S$2.10 million in total.

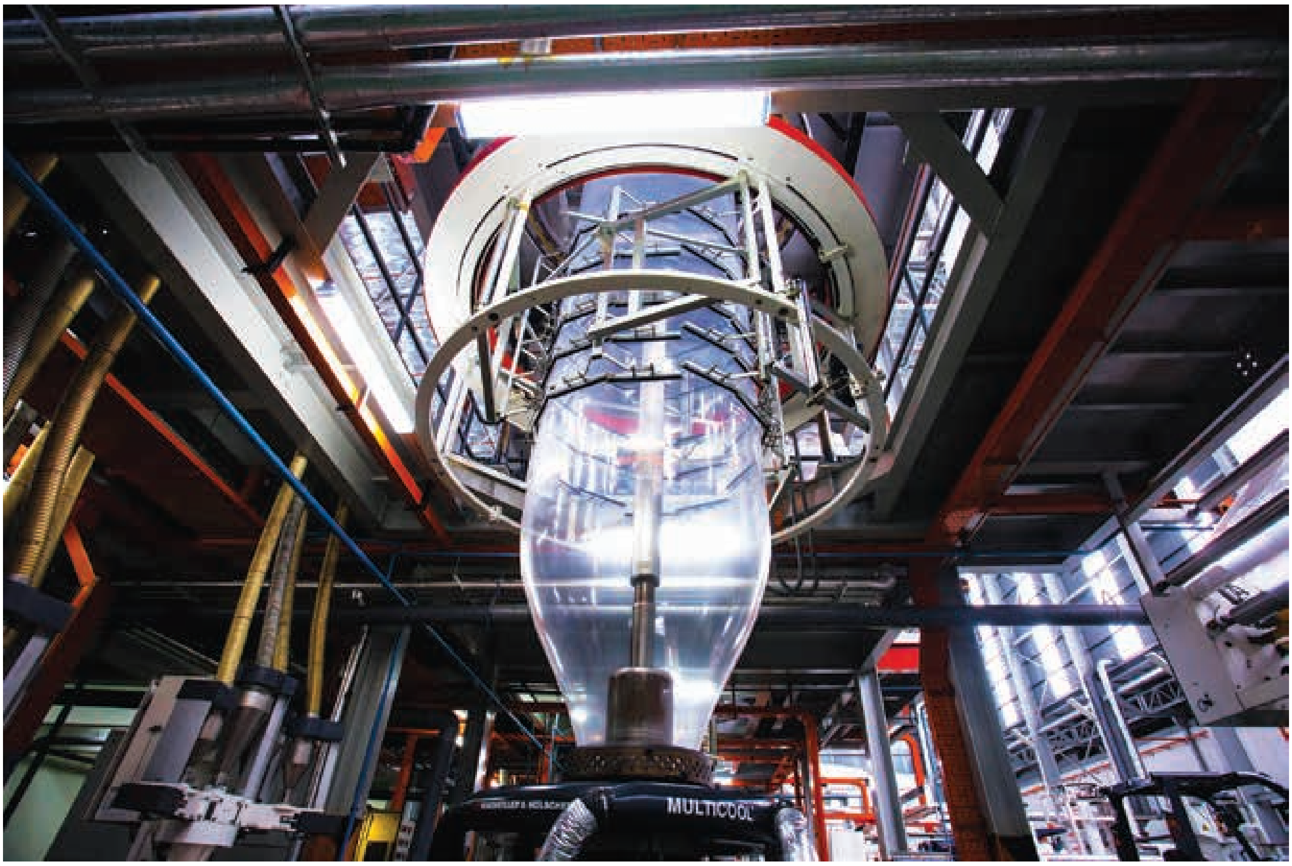
ACKNOWLEDGEMENTS

On behalf of the Board and Management of Dynamic Colours Limited, I express sincerest thanks and appreciation to our shareholders for their trust and confidence, as well as our staffs for their commitment and dedication, amidst the many challenges during the last year. I take this opportunity to thank our stakeholders for their support and for contributing to our success. I also register my appreciation to our Board of Directors for guiding the path in our journey. With all your unyielding support, the Group will be able to go from strength to strength and cement a better position for a brighter future ahead.

GOH SEOK ENG
Executive Chairman



OPERATIONS REVIEW



Financial Year ended 31 December 2019 ("FY2019") compared to Financial Year ended 31 December 2018 ("FY2018").

OVERVIEW OF GROUP'S BUSINESS

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

In FY2019, due to the compulsory acquisition of land and premises in Suzhou, China by the authorities (the "Compulsory Acquisition"), the Chinese wholly owned subsidiaries, namely Suzhou Huiye Plastic Industry Co., Ltd ("SHP") and Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC"), the RC businesses in these entities have wound down their production activities and their financial results have been presented under discontinued operations.

In FY2019, the RC and PP segments accounted for 44.7% (FY2018: 57.1%) and 55.3% (FY2018: 42.9%) of the total Group revenue respectively.

STATEMENT OF COMPREHENSIVE INCOME

The Group's profit after tax for the year ended 31 December 2019 increased by 107.2% to US$2.88 million (US$1.39 million in FY2018). The profit before tax contributions in FY2019 from the RC segment was 40.6% (FY2018: 56.1%) and that from the PP segment was 59.4% (FY2018: 43.9%).

Gross profit for FY2019 was US$7.08 million, an increase from US$5.50 million by 28.7% as compared to FY2018. This is despite the Group's revenue of US$35.86 million being 12.2% lower than FY2018. The larger than proportionate decrease in cost of sales as compared to the revenue drop resulted in the growth of the overall gross profit margin from 13.5% to 19.8%.

Other income has surged by US$1.67 million (337.8%) in FY2019 as compared to FY2018. This is mainly due to the recognition of compensation income received from the Chinese authorities for the Compulsory Acquisition.

Administrative expenses increased by US$0.05 million (1.7%) from US$2.66 million to US$2.70 million mainly attributed to staff-related costs.

For other operating expenses, there was an increase by US$1.48 million from US$0.17 million in FY2018 to US$1.65 million in FY2019 due mainly to termination benefits and inventory write down as a result of the Compulsory Acquisition.

Loss allowances for trade receivables of US$0.04 million was also reported as a result of expected default in payment by customer from the discontinued operations.

FY2019 reported a net finance income of US$0.07 million as compared to a net finance loss position of US$0.15 million for FY2018. Interest income increased from US$0.03 million to US$0.11 million while interest expense decreased substantially to almost nil. Net foreign exchange also witnessed lower loss by US$0.05 million (57.6%) from FY2018 to FY2019.

Income tax expense recorded 81.6% increase from US$0.49 million in FY2018 to US$0.89 million in FY2019 as a result of higher profit before tax.

STATEMENT OF FINANCIAL POSITION

Overall, the total assets for the Group as at 31 December 2019 rose by US$7.25 million as compared to the last financial year-end mainly as a result of increase in cash and bank balances by US$12.71 million and non-current assets held for sale of US$1.75 million due to the Compulsory Acquisition; offset by decrease in property, plant and equipment by US$1.65 million, trade and other receivables by US$2.78 million as well as inventories by US$1.54 million.

The increase in prepayment were mainly those made to suppliers while tax paid in advance was specific to Malaysia.

The reduction in property, plant and equipment from US$14.75 million in FY2018 to US$13.09 million for FY2019 was mainly due to reclassification to non-current assets held for sale and depreciation charge.

Inventories and receivables decreased in line with the lower overall revenues.

OPERATIONS REVIEW

As for total liabilities of the Group, there was an increase by US$5.18 million as at 31 December 2019 in comparison with last year. This was mainly attributed to compensation received in advance from the Suzhou relocation of US$5.09 million and the newly included lease liabilities of US$0.16 million with the adoption of SFRS(I) 16 as well as increase in current tax payable of US$0.57 million with higher profit for the year; only to be offset by reduction in trade and other payables (including provisions) by US$0.61 million.

The decrease in trade and other payables (including provisions) from US$3.45 million to US$2.85 million was largely due to lower purchases.

Increase in the equity of the Group of US$2.07 million from FY2018 to FY2019 was mainly due to current year profit after tax of US$2.87 million and offset by payment in FY2019 of the proposed dividend for FY2018 of US$0.77 million.

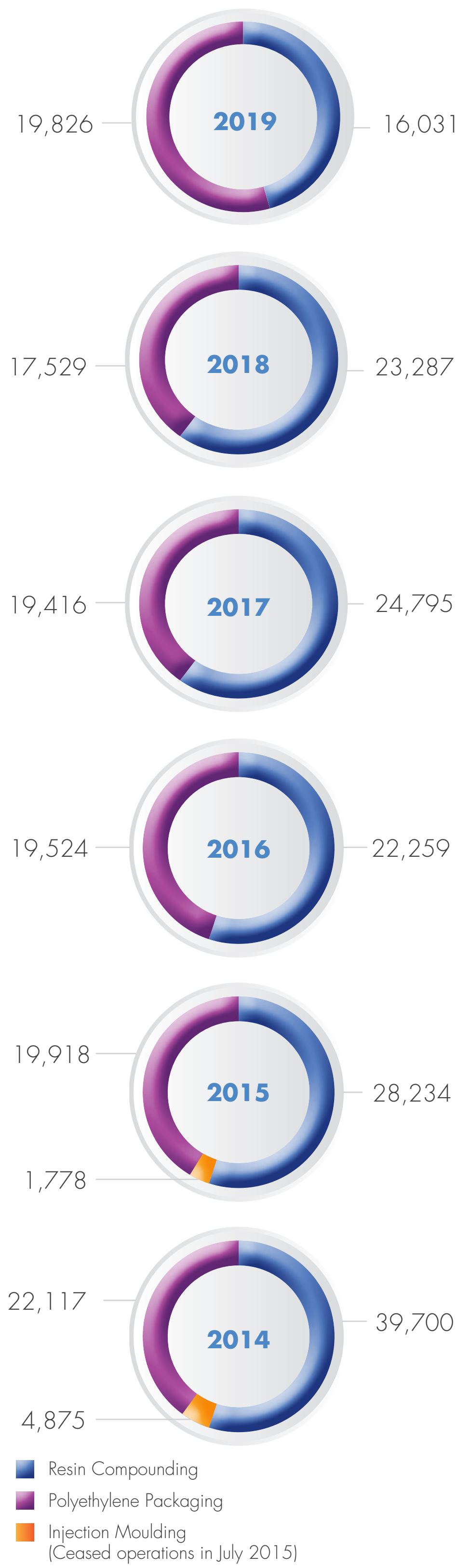
STATEMENT OF CASH FLOWS

Cash and cash equivalents saw a net increase by US$12.75 million for FY2019. This was attributed to the positive operating results, lower working capital required following cessation of production at the factory in Suzhou and the compensations received in advance of US$5.12 million from the authorities with the compulsory acquisition of the Suzhou production facilities; offset mainly by dividend paid of US$0.77 million under cash flow used in financing activities.

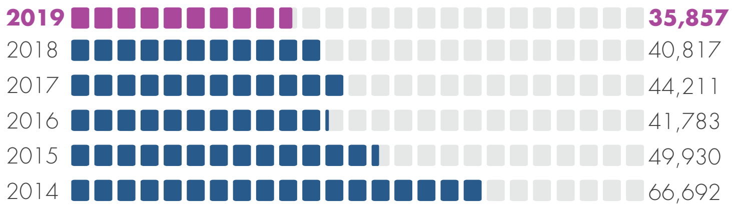
The operating profit before movements in working capital increased from US$3.36 million to US$5.27 million due to higher profit achieved in FY2019. As a result of lower working capital required, the net positive cashflow from operating activities improved from US$3.35 million to US$8.37 million.

FINANCIAL HIGHLIGHTS

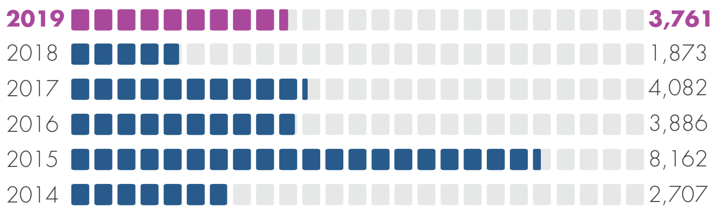
REVENUE BY OPERATING SEGMENT (US$'000)



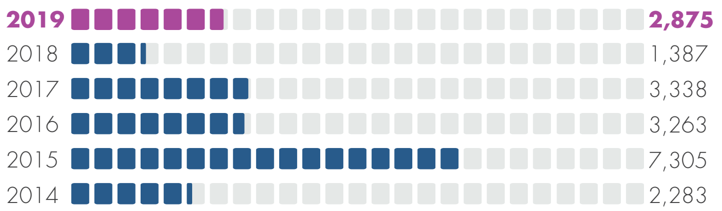
REVENUE (US$'000)



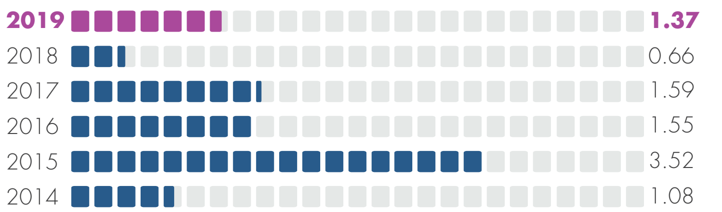
PROFIT BEFORE TAX (US$'000)



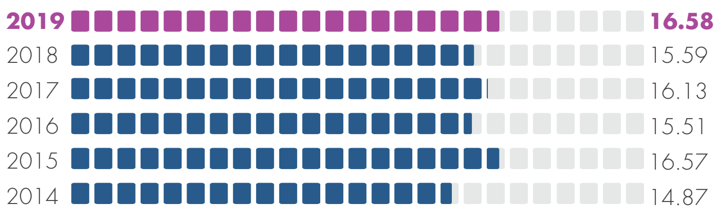
PROFIT AFTER TAX (US$'000)



BASIC AND DILUTED EARNINGS PER SHARE (US CENTS)



NET ASSET VALUE PER SHARE (US CENTS)



STRATEGIC LOCATIONS AND MARKETS

1 **SINGAPORE**
21 Woodlands Close #09-12
Primz Bizhub
Singapore 737854

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

3 **HO CHI MINH CITY**
12 VSIP II-A, 24 Street,
Vietnam Singapore Industrial
Park II-A, Tan Uyen Town,
Thu Dau Mot City
Binh Duong Province, Vietnam.

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

PRODUCTS AND SERVICES

POLYETHYLENE PACKAGING

☐ HEAVY-DUTY PACKAGING BAGS

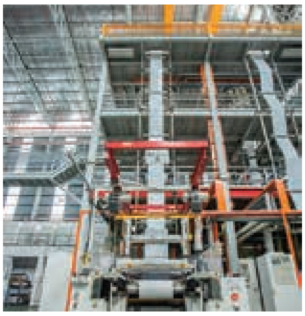
- Used for heavy weight packing and storage purpose

☐ HEAVY-DUTY FFS ROLLS

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

☐ STRETCH/SHRINK HOOD FOR PALLETISING

- Stretch Hood for Palletising

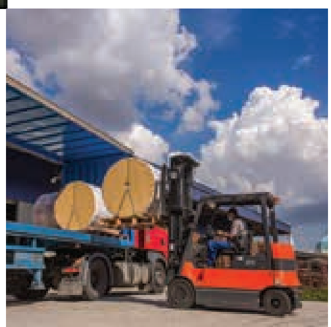


PRODUCTS WE CARRY INCLUDE:

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

SERVICES WE CAN PROVIDE INCLUDE:

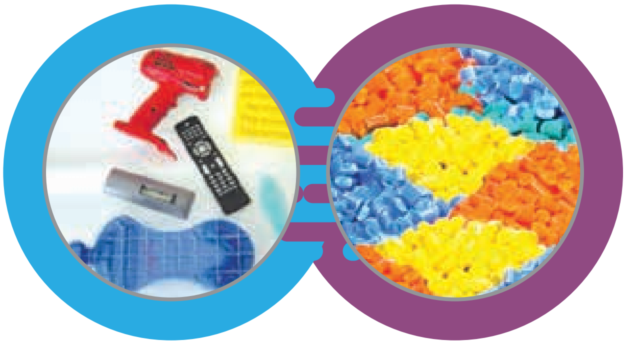
- Project Consulting (part design & material selection),
- Managing Supply Chain (off-load the planning and logistic burdens of our customers),
- Customised/Colour Compounding, and blending services,
- Warehousing and Technical Assistance,
- Joint Product Development, and
- Melt Processing-Homogenizing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



PRODUCTS AND SERVICES

RESIN COMPOUNDING

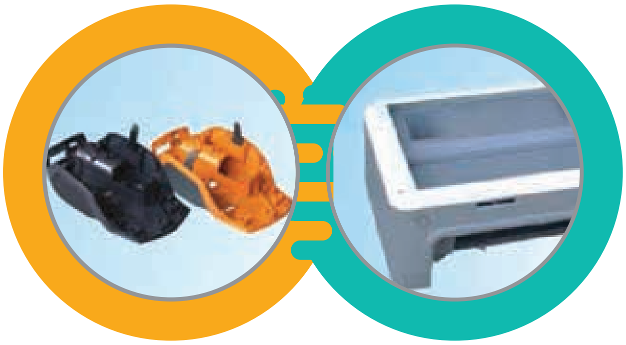
COLOUR COMPOUNDING



Enhances the aesthetic appeal of electronic devices with a wide variety of colours

Injection of different colours into resins used to manufacture plastic component parts of devices

MODIFIED COMPOUNDING



Injection of additives such as glass fibres, carbon fibres, mineral fillers and other chemicals into plastic resins

Enhances the characteristics of plastic resins, by making them flame-retardant, heat-resistant, anti-fungal, with increased tensile and impact strength

BOARD OF DIRECTORS

MDM GOH SEOK ENG

Executive Chairman and
Technical Director

Mdm Goh Seok Eng was appointed our Executive Chairman on 1 January 2020. She has been our Deputy Group Managing Director and Technical Director since 2 July 1993. Mdm Goh ensures that the strategies and policies agreed by the Board are effectively implemented, as well as promotes and oversees the highest standards of corporate governance within the Board and the Company.

With more than 35 years of experience in the resin pigment and compounding industry, and more than 15 years of experience in the polyethylene packaging industry, Mdm Goh is overall in charge of our technical development, procurement and commercial decision of our group businesses.

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

MR YEO HOCK LENG

Group Chief Executive Officer and
Alternate Director to Mdm Goh Seok Eng

Mr Yeo Hock Leng is our Group Chief Executive Officer (CEO). He was appointed to our Board on 2 July 1993 when he co-founded Dynamic Colours Pte Limited and was redesignated as the Alternate Director to Mdm Goh Seok Eng effective on 1 January 2020.

Mr Yeo has more than 30 years of experience in the resin compounding industry and more than 15 years of experience in the polyethylene packaging industry.

Mr Yeo is responsible for the strategic development and execution of our Group's business operations, assesses risks and sustainability factors of the Company and ensures that they are monitored and managed effectively.

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

MR CHONG YEE SIEW SEBASTIAN

Lead Independent Director
Chairman, Remuneration Committee
Member, Nominating Committee

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

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

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

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

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

MR LAW CHEONG YAN

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

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

Mr Law Cheong Yan is currently the Chief Financial Officer of Chip Eng Seng Corporation Ltd (CES). Prior to joining CES in August 2013, Mr Law spent more than 9 years in China and the US managing the businesses of several overseas subsidiaries of Singaporean companies. He was also the Group's Financial Controller for the period from June 1999 to February 2004 and an auditor with an international accounting firm from September 1995 to June 1999.

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

BOARD OF DIRECTORS

MR TAN LYE HUAT

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

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

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

Mr Tan had previously been actively engaged in corporate governance advocacy, consultancy and training work under HIM Governance Pte Limited, including being the Regional Adviser of Governance for Owners LLP as well as volunteering at a number of other governance-related associations.

Mr Tan also holds directorships in four other SGX listed companies: SP Corporation Limited, Japan Foods Holding Ltd, Neo Group Limited and Nera Telecommunications Ltd.

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

MR SHABBIR S/O HAKIMUDDIN HASSANBHAI

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

Mr Shabbir S/O Hakimuddin Hassanbhai was appointed to our Board on 1 July 2017.

Mr Shabbir Hassanbhai serves as an Independent Director of Intraco Limited. He is also active in various business and social organisations in Singapore among which he is Trustee of the Singapore Indian Development Association (SINDA); Trustee Singapore Indian Fine Arts; Advisor to the Board of the NTU-SBF Centre for African Studies; Chairman of Andhra Pradesh-Singapore Business Council; Board Member of ITE Education Services. He has previously served as Singapore's Non-Resident High Commissioner to Nigeria from 2008-2017; Vice Chairman of the Singapore Business Federation; Chairman of the School Advisory Committee of Chong Boon Secondary School; and Finance Member Ang Mo Kio-Thye Hua Kwan Hospital.

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

Mr Hassanbhai was conferred the Public Service Medal (PBM) in 2010. He was also awarded the distinguished Long Service Award by the Ministry of Community Development, Youth and Sports (MCYS) in 2011 for his invaluable volunteer service to the community; medal for service to education from the Ministry of Education in 2014; recognition award in 2017 from Singapore Business Federation for business development in emerging markets; and in 2019 recognition award from Ministry of Finance for services rendered as Member of Management Committee Singapore Turf Club.

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

GROUP STRUCTURE

SUSTAINABILITY REPORT

1. Board statement

We are pleased to present Dynamic Colours Limited ("DCL")'s third annual Sustainability Report ("Report"), for our financial year ended 31 December 2019 ("FY2019").

We recognise the importance of our roles as responsible corporate citizens towards our stakeholders while in pursuit of a sustainable future that enhances long-term shareholder value. Our stakeholders comprise communities, customers, employees, government and regulators, investors or shareholders, suppliers and service providers.

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

In line with our commitments towards sustainability, a sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material EESG factors has been established and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material EESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders as well as organisational and external developments.

A summary of our sustainability performance in FY2019 is as follows:

<u>Customer satisfaction</u> ■ 97% positive feedback ■ 31% of all employees and 58% of our managers have more than 5 years of service in our Group	<u>Sustainable business performance</u> We achieved higher profitability for the financial year and maintained our value to shareholders through a dividend payout	<u>Proactive anti-corruption practices</u> No reported or zero incident of corruption
<u>Proactive environmental management</u> 100% of waste requiring special disposal handled by licensed waste collectors	<u>Energy conservation</u> Electricity consumption rate is 454.8 kWh per metric tonne of production output	<u>Employee safety</u> Zero workplace fatality and 3 non-fatal workplace injuries resulting in 47 man-days lost
<u>Commitment to consistent product quality</u> We successfully maintained a product defect rate of less than 1%.	<u>Diversity and equality in the workplace</u> ■ 24% of all employees and 32% of managers are females ■ 20% of all employees are at least 40 years old ■ 34% of employees are tertiary educated and 66% of employees are non-tertiary educated	<u>Robust corporate governance framework</u> Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 83

2. Vision and missions

Journey to Sustainability

Vision

To be a market leader in our core and diversified businesses by providing quality products and services at competitive prices

Missions

- Grow with our customers and exceed our customers' expectation
- Nurture communities and protect environment
- Maintain sustainable growth
- Empower lives

Our journey to sustainability is closely aligned with our vision and missions as our sustainability factors and strategies will bring us to where we envision ourselves to be. Refer to Section 8 for more details on the alignment of our material sustainability factors with our vision through our missions.

As we move on with our journey to sustainability, we expect to face risks and obstacles but with a positive and proactive attitude, we believe they can be converted into opportunities and favourable results. The risk factors and opportunities related to our sustainability factors are disclosed accordingly in section 8 of this Report.

3. Reporting framework

This Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and the Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711A and 711B. We have chosen the GRI framework as it is an internationally recognised reporting framework.

4. Reporting period and coverage

This Report is applicable for the Group's financial year ended 31 December 2019 ("reporting period" or "FY2019"). A Report will be published annually thereafter in accordance with our SR Policy.

This Report covers our operations in Malaysia, Singapore and Vietnam which contributed approximately 77% (FY2018: 94% – Singapore, Malaysia and China only) of the Group's total revenue for the reporting period. We have excluded our China operations from this Report due to the compulsory acquisition of the Group's land and premises in China by the authority. The activities of our China operations have decreased significantly due to the above acquisition as we develop our plan for the China market.

5. Feedback

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

SUSTAINABILITY REPORT

6. Stakeholder engagement

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

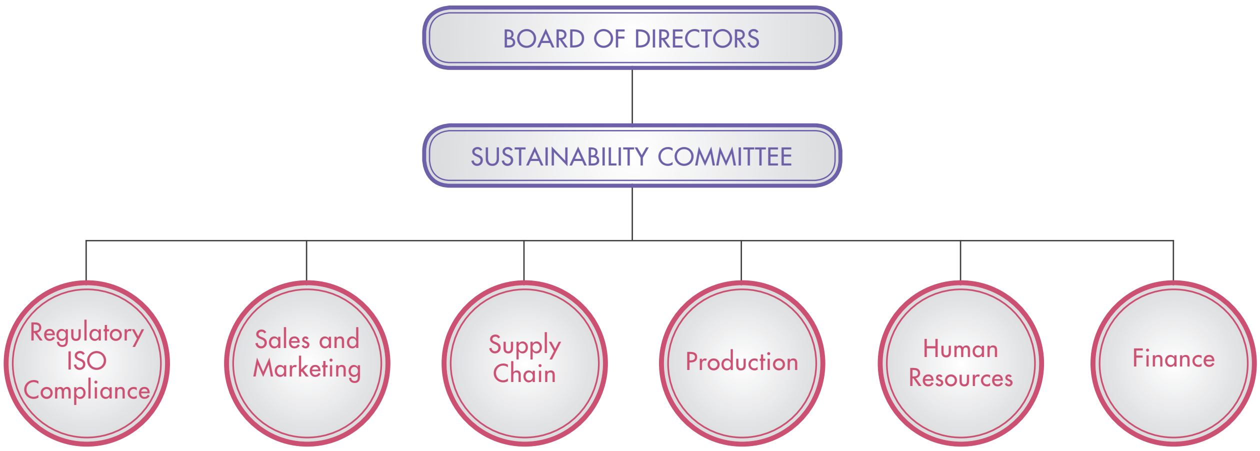
The table below sets out our engagement process with our stakeholders:

S/N	Key stakeholder	Engagement channel	Frequency of engagement	Key concern raised
1	Communities	Community campaigns	No fixed frequency	■ Social inclusion ■ Environmental conservation
2	Customers	■ Hotline ■ Email queries	Daily	■ Product quality and reliability as well as customer service ■ Continuous improvement and market certification
		■ Customer visits	Quarterly	
3	Employees	■ Networking sessions	Quarterly	■ Equal employment opportunity ■ Workplace safety and health ■ Job security ■ Remuneration
		■ Open dialogues among teams	Annually	
4	Government and regulators	■ Face-to-face meetings ■ Participation in discussions	No fixed frequency	■ Level of corporate governance ■ Environmental compliance
5	Investors and shareholders	■ Group annual report ■ Annual general Meeting ■ Informal discussion	Annually	■ Sustainable business performance ■ Market valuation ■ Dividend payment ■ Level of corporate governance
		■ Group result announcements	Half-yearly	
6	Suppliers and service providers	■ Face-to-face meetings	Quarterly	Demand volatility
		■ Annual review and feedback sessions	Annually	

7. Policy, practice and performance reporting

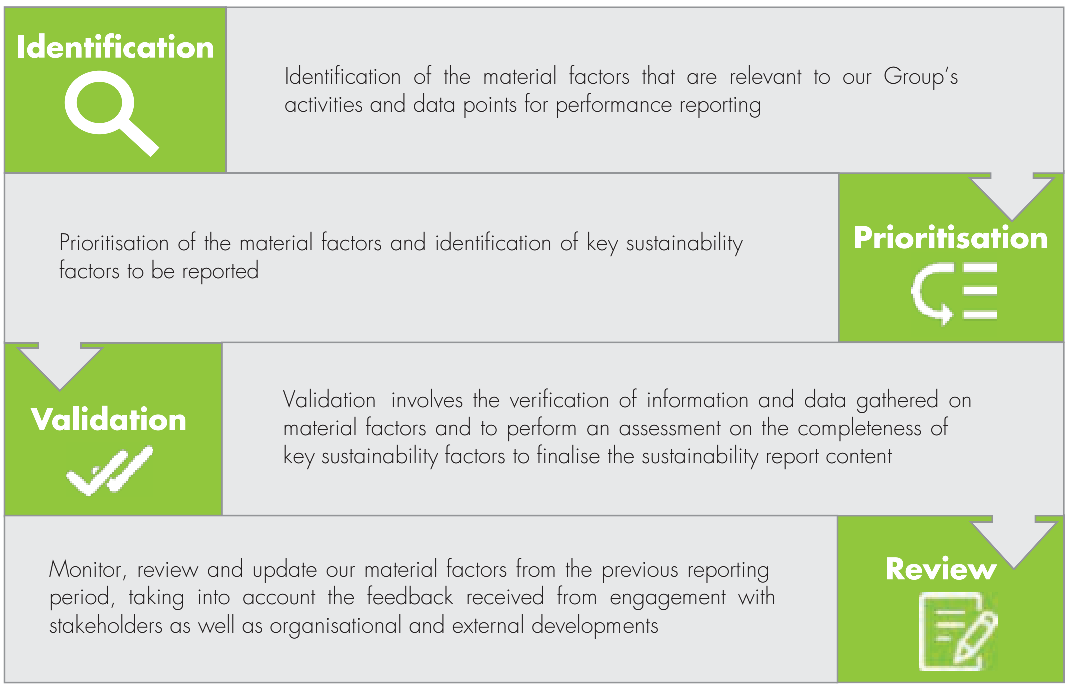
7.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. The Group's Sustainability Committee, which includes executive directors, senior executives and key management personnel from various departments, is led by the EC, and tasked to develop the sustainability strategy, review our material factors, consider stakeholders' priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.



7.2 Sustainability reporting processes

Under our SR policy, the sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors as disclosed in this Report. A brief description of the process is shown below:



SUSTAINABILITY REPORT

7.3 Materiality assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority are reported on in detail.
II	Medium	Factors with medium reporting priority are considered for inclusion in the Report. If it is decided that such factors are not material, they may be excluded from the Report.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a material factor matrix which considers the level of concern expressed by external stakeholders in relation to a particular sustainability factor and its potential impact on the Group's business.

7.4 Performance tracking and reporting

We track the progress of our material factors by identifying the relevant data points, monitoring and measuring them. In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improve our system to capture data.

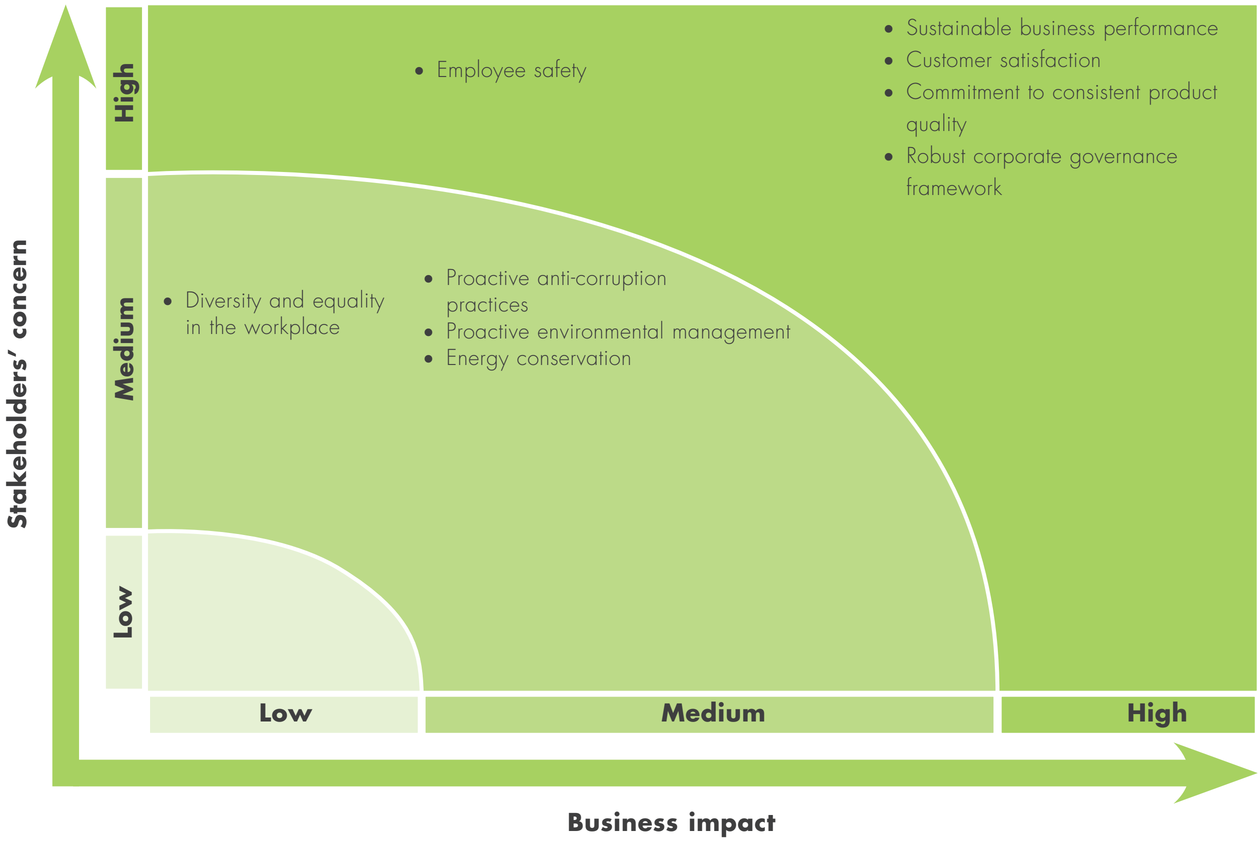
8 Material factors

Material factors were identified and prioritised through internal workshops, peer reviews and social impact assessments at site level. Incorporating inputs from our stakeholders, our materiality assessment resulted in our material factors ranked as follows:

S/N	Material Factor	Mission	Key Stakeholder	Reporting Priority
General Disclosure				
1	Customer satisfaction	Exceed customers' expectation	Customers	I
Economic				
2	Sustainable business performance	Maintain sustainable growth	Investors or shareholders	I
3	Proactive anti-corruption practices	Maintain sustainable growth	■ Investors or shareholders ■ Government and regulators	II
Environmental				
4	Proactive environmental management	Protect environment	■ Communities ■ Government and regulators ■ Suppliers and service providers	II
5	Energy conservation	Protect environment	■ Communities ■ Investors or shareholders	II

S/N	Material Factor	Mission	Key Stakeholder	Reporting Priority
Social				
6	Employee safety	Empower lives	Employees	I
7	Commitment to consistent product quality	Exceed customers' expectation	Customers	I
8	Diversity and equality in the workplace	Empower lives	Employees	II
Governance				
9	Robust corporate governance framework	Maintain sustainable growth	■ Investors or shareholders ■ Government and regulators	I

Material factor matrix



We will update the material factors on an annual basis as and when necessary to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends. The details of each material sustainability factor identified for FY2019 are presented as follows:

SUSTAINABILITY REPORT

8.1 Customer satisfaction

In line with our mission to exceed our customers' expectations as well as to ensure sustainable growth, we have directed our efforts towards achieving customer satisfaction with the following measures:

Maintain market presence
Our resin compounding products are supplied to plastic injection moulders ("PIMs") and original equipment manufacturers ("OEMs") who in turn provide external casings or component parts of electrical appliances and electronic devices to leading electronics companies. Our production facilities in Malaysia and Vietnam are strategically located to be near our customers.

Our heavy-duty polyethylene bags and other plastic packaging materials, produced at our Malaysian production facilities, are mainly supplied to our customers based at the petrochemical hub on Jurong Island which include majors and multinationals in the petroleum industry.

The geographical spread of our operations brings us close to the markets we serve and our customers.

Proactively gather customer feedback for improvements and to develop strategies
Customer satisfaction is measured through customer surveys, trend results of compliment to complaint ratio. Under our strategy of continuous improvement to meet customer needs, we received an average of 97% (FY2018: 97%) positive feedback during the reporting period.

In addition, customer feedback collected from various touchpoints such as feedback from sales teams and customer surveys are mined to gather valuable insights into current and future customer requirements. Insights gathered are discussed during the management meetings to drive product and service improvements and provide inputs for strategies.

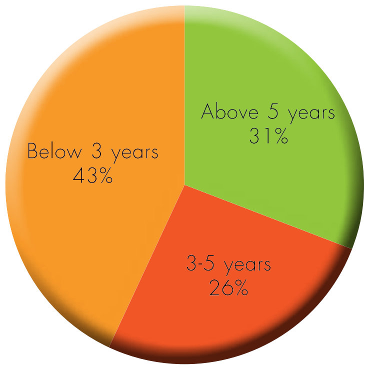
Adoption of market standards on product quality
Our operations are certified under the ISO 9001 and Good Manufacturing Practices standards to maintain product quality. The adoption of such standards supports our ability to consistently provide products and services that meet customers' needs and expectation.

For more details on product quality, refer to section 8.3.

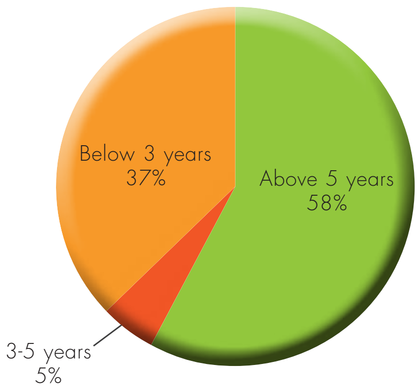
Nurture a team of highly trained and experienced employees
We believe that the continued success of our business is highly reliant on a competent workforce and that producing professionally trained and experienced employees is the key to boosting overall productivity and operational efficiency.

As at 31 December 2019, 31% (FY2018: 32%) of our employees and 58% (FY2018: 50%) of our managers have more than 5 years of service in our Group.

Years of service (full-time employees)



Years of service (managers)



Target for FY2019	Performance in FY2019	Target for FY2020
Aim for at least 80% positive feedback from existing and new prospective customers	Target met as follows: We maintained 97% positive feedback from our customers	Aim for at least 80% positive feedback from existing and new prospective customers
Risk and opportunity analysis		
Risk	Risk identified: ■ Customer ■ Competition Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To expand our market share and further entrench our brands with customers	

8.2 Sustainable business performance

In line with our mission to maintain sustainable growth, we strive to provide our customers with competitive-edged products and services by seeking opportunities to enhance our operational efficiency via automation of processes, extending range of inventory with quality, brand-name products, providing personal services and competitive pricing with dependable and on-time delivery.

For details of our financial results, please refer to the following sections in our Annual Report 2019:

- Operations Review, pages 04 to 06
- Financial Highlights, page 07
- Financial Statements, pages 79 to 144

Target for FY2019	Performance in FY2019	Target for FY2020
Continuously enhance our business model to generate improvement in shareholder's value	Target met as follows: We achieved higher profitability for the financial year and maintained our value to shareholders through a dividend payout	Maintain or improve our financial performance subject to market conditions
Risk and opportunity analysis		
Risk	Risks identified: ■ Business continuity Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To create long-term economic value for our shareholders	

SUSTAINABILITY REPORT

8.3 Proactive anti-corruption practices

We do not tolerate corruption in any form. This has been made clear to all of our employees, our suppliers and our business partners. Any report of corruption is escalated to the attention of the Audit and Risk Committee Chairman. We prohibit corruption in all forms, including extortion and bribery. There is no reported incident of corruption[1] during the reporting period (FY2018: zero incident). It is our goal to maintain zero incidents of corruption. We will regularly review policies on whistle-blowing and code of ethics which encompasses anti-corruption.

Target for FY2019	Performance in FY2019	Target for FY2020
Zero incident of corruption to be reported based on whistle-blowing and anti-corruption policies.	Target met as follows: We achieved zero incident of corruption	Zero incident of corruption to be reported based on whistle-blowing and anti-corruption policies.
Risk and opportunity analysis		
Risk	Risks identified: ■ Political, regulatory and industry Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To drive long-term sustainable growth and increase corporate values	

8.4 Proactive environmental management

In line with our mission to protect the environment, various measures and initiatives are adopted with details as follows:

<u>Environmental accreditation</u>
We are accredited with the following environmental certifications:

Standards adopted	Coverage	Area of certification
ISO 14001: 2015	Operations in Malaysia	A set of standards that provides guidance to the organisation to minimise harmful effects on the environment caused by business activities and achieve continual improvement of environmental performance.
Restriction of Hazardous Substances ("RoHS") Directive	Operations in Malaysia and Vietnam	RoHS originated in the European Union and restricts the use of specific hazardous materials found in electrical and electronic products.

Both certifications recognise our continuous efforts to integrate environmental protection and stewardship in our operations.

[1] A corruption is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 5 years which is being or has been committed against the company by officers or employees of the company.

Responsible waste management

Whenever possible, we reduce, reuse, recycle materials and waste generated from our operations. Our efforts in this area can be summarised as follows:

As part of our recycling effort, we reuse majority of the wooden pallets and Polyvinyl Chloride ("PVC") cores on its packaging. For PVC cores, which we use for holding polyethylene bags, they are collected from the customer sites for reuse. For wooden pallets, they are heat treated and stored at dry area to enhance their life span. We also ensure proper product quality planning and controls to minimise the wastage of raw materials.

We reduce our impact on the environment through optimising processes and incorporating environmental considerations at all stages of our production and operations that comply with international guidelines on pollution management. Waste gases generated from our operations are channelled for proper treatment within the same facility and subjected to annual independent compliance assessment. In addition, 100% (FY2018: 100%) of waste requiring special disposal (such as contaminated inks and lubricant oils) were separated from general trash and handled by licensed waste collectors.

Supplier environmental assessment

Sustainability is integral to our procurement processes and supplier engagement. In line with our mission to protect the environment, we have developed sustainability criteria in assessing the environmental impacts of our key suppliers.

Target for FY2019	Performance in FY2019	Target for FY2020
Continue to comply fully with all environmental laws and regulations	Target met as follows: Market standards and best practices have been adopted in our operations and 100% of waste requiring special disposal were handled by licensed waste collectors.	■ Adhere to the market standards and best practices in operations ■ Improve or maintain waste management through reusing and recycling waste generated in our operations
Risk and opportunity analysis		
Risk	Risk identified: ■ Political, regulatory and industry Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To achieve environmental sustainability	

SUSTAINABILITY REPORT

8.5 Energy conservation

In line with our mission to protect the environment, we are committed to responsible usage of energy resources that helps to preserve the environment in which the Group operates in.

Key statistics on resources consumed to support our business operations are as follows:

Resource	Purpose	Unit	Consumption rate per metric tonne of production output		Difference
			FY2019 [A]	FY2018 [B]	[A] – [B]
Electricity	Used for operating machinery and equipment, lighting and office work	kWh	454.8	414.5	40.3

During the reporting period, electricity consumption rate per metric tonne of production output increased by 40.3 kWh mainly due to changes in different product mix, which witnessed a corresponding increase in the related production capacity.

In order to manage energy more effectively, we have adopted the following measures:

- Our plant located in Malaysia has established an efficient electrical energy management committee to monitor and improve energy efficiency
- Switch existing lightings to energy saving LED bulbs on a replacement basis
- Energy consumption is regularly tracked and analysed. Corrective actions are taken when unusual consumption patterns are observed

Target for FY2019	Performance in FY2019	Target for FY2020
Strive for 10% reduction in energy consumption	Target not met as follows: Electricity consumption rate increased to 454.8 kWh per metric tonne of production output. In line with our commitment to protect the environment, we will continuously work towards improving the electricity consumption rate in the operations.	Reduce or maintain the energy consumption rate
Risk and opportunity analysis		
Risk	No material residual risk associated with this factor is identified	
Opportunity	To improve our operational efficiency and achieve environmental sustainability	

8.6 Employee safety

The focus on health and safety is important for us to achieve good performance. Firstly, we recognise that it is a right for our workers to be able to work in a safe environment. Next, when our workers feel safe when working, productivity and quality will improve and this in turn enhances customer satisfaction. Thus, we are committed to provide a hazard-free workplace to ensure the well-being of our employees.

We recorded zero (FY2018: zero) workplace fatality during the reporting period and 3 non-fatal workplace injuries[2] (FY2018: zero incidents) resulting in 47 man-days (FY2018: zero man-day) lost during the reporting period. The workplace accidents are mainly associated with finger injuries. Lessons from the non-fatal workplace accidents are shared across business units to prevent recurrence and we will continue to stress workplace safety at all times and aim for zero workplace injuries in the future.

Key measures adopted to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place
- Employees are provided with adequate health and safety training to familiarise themselves with the operation of the machinery and equipment as well as safe handling of chemicals in the workplace
- Production staff are required to use appropriate personal protective equipment at work
- Safety inspections are conducted regularly and meeting are held regularly to discuss safety related matters
- Accidents are tracked and monitored regularly

Target for FY2019	Performance in FY2019	Target for FY2020
Continue to publish safety and wellness knowledge among employees and to maintain clean records of zero-injury and diseases	Targets not met as follows: Zero workplace fatality and 3 non-fatal workplace injuries resulting in 47 man-days lost. Although we did not meet the target set, we remain committed to maintain a safe working environment. To prevent similar accidents from occurring in the future, lessons from the workplace accidents are shared across business units.	Continue to publish safety and wellness knowledge among employees and to maintain clean records of zero-injury and diseases

Risk and opportunity analysis	
Risk	Risk identified: ■ Work health and safety Refer to our risk disclosure in the Corporate Governance Report in this annual report
Opportunity	To create a safe working environment that will lower injury or illness costs, reduce absenteeism and turnover, increase productivity and raise employee morale

[2] A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalisation of at least 24 hours and/or (ii) an issuance of a medical certificate of more than 3 days (need not be consecutive)

SUSTAINABILITY REPORT

8.7 Commitment to consistent product quality

We are committed to deliver the best to our customers by providing customers with quality and safe products for long term business sustainability. Key measures taken by us on this front are as follows:

Adoption of market standards
We adopt market standards and best practices in our operations to ensure quality and safety in our products and services. Key market standards adopted are as follows:

Standards adopted	Coverage	Area
ISO 9001: 2015	Operations in Malaysia and Vietnam	An international standard that specifies requirements for a quality management system (QMS). Organisations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements
Good Manufacturing Practices	Operations in Malaysia	A certificate that gives us the right to be listed in the Directory of registered companies as a manufacturer of food grade polyethylene packaging

Rigorous quality control
We play an active role to ensure the supply of our products and services meets customers' requirements, business objectives, industry regulations and legislation requirements. Key measures adopted are as follows:

- A quality control policy is in place for compliance with the product standards.
- Product reject rate[3] is regularly tracked and analysed and corrective actions are taken when unusual patterns are observed. During the reporting period, we successfully maintained a product defect rate of less than 1% (FY2018: less than 1%)

Target for FY2019	Performance in FY2019	Target for FY2020
Product reject rate at no more than 1%	Target met as follows: We successfully maintained a product defect rate of less than 1%.	Product reject rate at no more than 1%
Risk and opportunity analysis		
Risk	Risk identified: ■ Customer ■ Competition Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To build customer confidence in our products and services	

3 Amounts of customer rejected or returned products divided by the numbers of units tested

8.8 Diversity and equality in the workplace

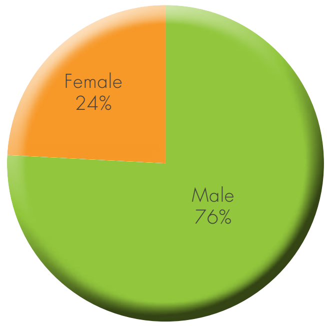
In line with our mission to empower lives, we cultivate an inclusive culture whereby employees with wide-ranging backgrounds and qualities are kept motivated, engaged and connected. As at 31 December 2019, we employed a total of 135 employees (FY2018: 127) under the entities covered.

On gender diversity, we view diversity at the Board level as an essential element in supporting sustainable development with one (FY2018: one) female representation on the Board of Directors. The percentage of female to total full-time employees is 24% (FY2018: 20%) and about 32% (FY2018: 30%) of managers are females as at 31 December 2019.

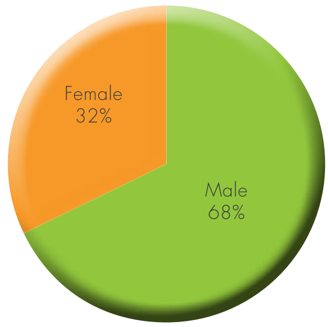
On age diversity, matured workers are valued for their experience, knowledge and skills. As at 31 December 2019, 20% (FY2018: 24%) of the workforce is at least 40 years old.

On diversity in educational background, we seek to create an inclusive environment for employees from different educational background. Due to the nature of our business, our workforce is predominantly non-tertiary educated and such employees contribute approximately 66% (FY2018: 69%) of our total workforce as at 31 December 2019. We invest continuously in our employees through the conduct of in-house trainings to improve their skills.

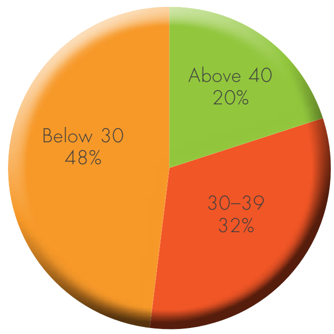
Gender diversity (full-time employees)



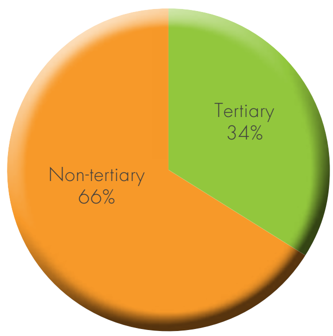
Gender diversity (managers)



Age diversity (full-time employee)



Educational diversity (full-time employees)



SUSTAINABILITY REPORT

To promote equal opportunity, we have in place various human resources related processes as follows:

- An employee handbook is in place to communicate workplace policies and helps to ensure employees are treated fairly.
- Staff assessments are performed regularly to evaluate the performance of staff and provides staff with a sense of self-awareness to undertake training that will improve their skills and abilities.
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement.

Target for FY2019	Performance in FY2019	Target for FY2020
Provide equal opportunities for existing employees and new candidates to maintain a diverse and robust workforce	Target met as follows: No material changes in diversity ratios between FY2019 and FY2018	Provide equal opportunities for existing employees and new candidates to maintain a diverse and robust workforce
Risk and opportunity analysis		
Risk	Risk identified: ■ Human resource Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To create a diverse and inclusive workplace that will bring new perspectives into our business and strengthen our ability to overcome new challenges and innovate	

8.9 Robust corporate governance framework

We believe that strong governance is the key to a sustainable business. We have been awarded the Best Managed Board at the Singapore Corporate Awards for two consecutive years from year 2017 to 2018, it is a testament to the good governance put in place and leadership of the board. We will continue to adopt market best practices on Corporate Governance.

Our overall SGTI score assessed by National University of Singapore Business School is 83 for the year 2019 (Year 2018: 86).

<u>Enterprise risk management ("ERM")</u>
ERM is an integral part of good corporate governance as well as resource management. A comprehensive ERM framework is in place to enable us to identify, communicate and manage our risks and exposures in an integrated, systematic and consistent manner. For detailed disclosure on ERM, please refer to our Annual Report pages 53 to 59 for more details.

<u>Business ethics and regulatory compliance</u>
Business ethics are communicated to all our heads of business units regularly, and they are conscious that strong business ethics is a key part of running a responsible business. When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct spells out our expectations from our staff and the consequences if any of the rules are violated or standards not met. On the other hand, clear and fair grievance procedures have also been established to address valid complaints.

On regulatory compliance, we regularly update key staff with developments in international and local regulations. We strive to fully comply with all environmental rules and regulations, anti-competitive behaviour laws and all requirements on health and safety. We prohibit corruption in all forms, including extortion and bribery.

Cyber security and data privacy are important not just for compliance, but in safeguarding both our data and that of our customers. We take measures to guard against cyber risks for both our internal and external stakeholders by complying with the personal data protection act policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons and senior management on a need-to-know basis.

You may refer to Corporate Governance Report of this Annual Report for details of our corporate governance practices.

Target for FY2019	Performance in FY2019	Target for FY2020
Continue to maintain a good corporate governance framework that is aligned with us being a Silver award recipient of the Best Managed Board Award	Target met as follows: No material change in SGTI score.	Improve or maintain SGTI score
Risk and opportunity analysis		
Risk	Risks identified: ■ Political, regulatory and industry Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To drive long-term sustainable growth and increase corporate values	

9 GRI content index

GRI standard & disclosure title		Section reference	Page
Organisation profile			
102-1	Name of the organisation	Dynamic Colours Limited	–
102-2	Activities, brands, products, and services	■ Corporate Profile ■ Products and Services ■ Notes to the Financial Statements > Investments in Subsidiaries	01 09 – 10 116 – 117
102-3	Location of headquarters	Notes to the Financial Statements > General	86
102-4	Location of operations	■ Corporate Profile ■ Strategic Locations and Markets	01 08
102-5	Ownership and legal form	■ Group Structure ■ Notes to the Financial Statements > General ■ Notes to the Financial Statements > Investment in Subsidiaries	13 86 116 – 117
102-6	Markets served	■ Corporate Profile ■ Strategic Locations and Markets	01 08
102-7	Scale of the organisation	■ Financial Highlights ■ Sustainability Report > Material Factors > Sustainable Business Performance ■ Sustainability Report > Material Factors > Diversity and Equality in the Workplace ■ Statements of Financial Position ■ Consolidated Statement of Comprehensive Income	07 21 27 – 28 79 80
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	27–28

SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
Organisation profile			
102-9	Supply chain	Generally, the Group purchases raw materials from renowned petrochemical plants and plastic resin suppliers. Our products are mainly supplied to the following customers: ■ RC products are supplied to plastic injection moulders and original equipment manufacturers ■ PP products are supplied to majors and multinationals in the petroleum industry	–
102-10	Significant changes to the organisation and its supply chain	Sustainability Report > Reporting Period and Coverage	15
102-11	Precautionary Principle or approach	DCL supports the intent of the Precautionary Principle, but has not expressed a specific commitment	–
102-12	External initiatives	None	–
102-13	Membership of associations	**DCL is a member of:** ■ Singapore Business Federation ("SBF") ■ Singapore Institute of Directors ("SID") **HPM is a member of:** ■ Malaysian Plastics Manufacturers Association ("MPMA") ■ Malaysian International Chamber of Commerce & Industry ("MICCI") ■ Federation of Malaysian Manufacturers ("FMM")	–
Strategy			
102-14	Statement from senior decision-maker	■ Sustainability Report > Board Statement	14
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	■ Sustainability Report > Material Factors > Robust Corporate Governance Frameworks ■ Corporate Governance Report	28 – 29 34 – 70
Governance			
102-18	Governance structure of the organisation	Corporate Governance Report	34 – 70
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	16
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	16

GRI standard & disclosure title		Section reference	Page
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	16
102-44	Key topics and concerns raised	■ Sustainability Report > Stakeholder Engagement ■ Sustainability Report > Material Factors > Customer Satisfaction	16 20 – 21
Reporting practice			
102-45	Entities included in the consolidated financial statements	■ Group Structure ■ Sustainability Report > Reporting Period and Coverage ■ Notes to the Financial Statements > Investment in Subsidiaries	13 15 116 – 117
102-46	Defining report content and topic Boundaries	Sustainability Report > Policy, Practice and Performance Reporting > Sustainability Reporting Processes	17
102-47	List of material topics	Sustainability Report > Material Factors	18 – 29
102-48	Restatements of information	None	–
102-49	Changes in reporting	No material changes in reporting	–
102-50	Reporting period	Sustainability Report > Reporting Period and Coverage	15
102-51	Date of most recent report	Annual Report > Sustainability Report FY2018	–
102-52	Reporting cycle	Sustainability Report > Reporting Period and Coverage	15
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	15
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	■ Sustainability Report > Reporting Framework ■ Sustainability Report > GRI Content Index	15 29 – 32
102-55	GRI content index	Sustainability Report > GRI Content Index	29 – 32
102-56	External assurance	We may seek external assurance in the future	–
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	18 – 29
103-2	The management approach and its components	■ Sustainability Report > Board Statement ■ Sustainability Report > Material Factors	14 18 – 29
103-3	Evaluation of management approach	Sustainability Report > Material Factors	18 – 29
Category: Economic			
201-1	Direct economic value generated and distributed	■ Financial Highlights ■ Operations Review ■ Sustainability Report > Material Factors > Sustainable Business Performance ■ Statements of Financial Position ■ Consolidated Statement of Comprehensive Income	07 04–06 21 79 80

SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	22
Category: Environmental			
305-1	Energy consumption within the organisation	Sustainability Report > Material Factors > Energy Conservation	24
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Proactive Environmental Management	22 – 23
Category: Social			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	Sustainability Report > Material Factors > Employee Safety	25
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	27 – 28
416-1	Assessment of the health and safety impacts of product and service categories	Sustainability Report > Material Factors > Commitment to Consistent Product Quality	26

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE

Goh Seok Eng (Executive Chairman)

Yeo Hock Leng (Group Chief Executive Officer and Alternate Director to Goh Seok Eng)

NON-EXECUTIVE

Chong Yee Siew Sebastian (Lead Independent Director)

Law Cheong Yan (Independent Director)

Tan Lye Huat (Independent Director)

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

NOMINATING COMMITTEE

Tan Lye Huat (Chairman)
Chong Yee Siew Sebastian
Law Cheong Yan

REMUNERATION COMMITTEE

Chong Yee Siew Sebastian (Chairman)
Law Cheong Yan
Shabbir s/o Hakimuddin Hassanbhai

AUDIT AND RISK COMMITTEE

Law Cheong Yan (Chairman)
Tan Lye Huat
Shabbir s/o Hakimuddin Hassanbhai

EXECUTIVE OFFICERS

Tan Kuan Thim, Arthur (Chief Financial Officer)

SECRETARIES

Chan Wan Mei, ACS, ACIS
Lee Pay Lee, ACS, ACIS

REGISTERED OFFICE

21 Woodlands Close #09-12 Primz Bizhub
Singapore 737854

SHARE REGISTRAR

Tricor Barbinder Share Registration Services

(A division of Tricor Singapore Pte Ltd)

80 Robinson Road #02-00 Singapore 068898

AUDITORS

BDO LLP

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

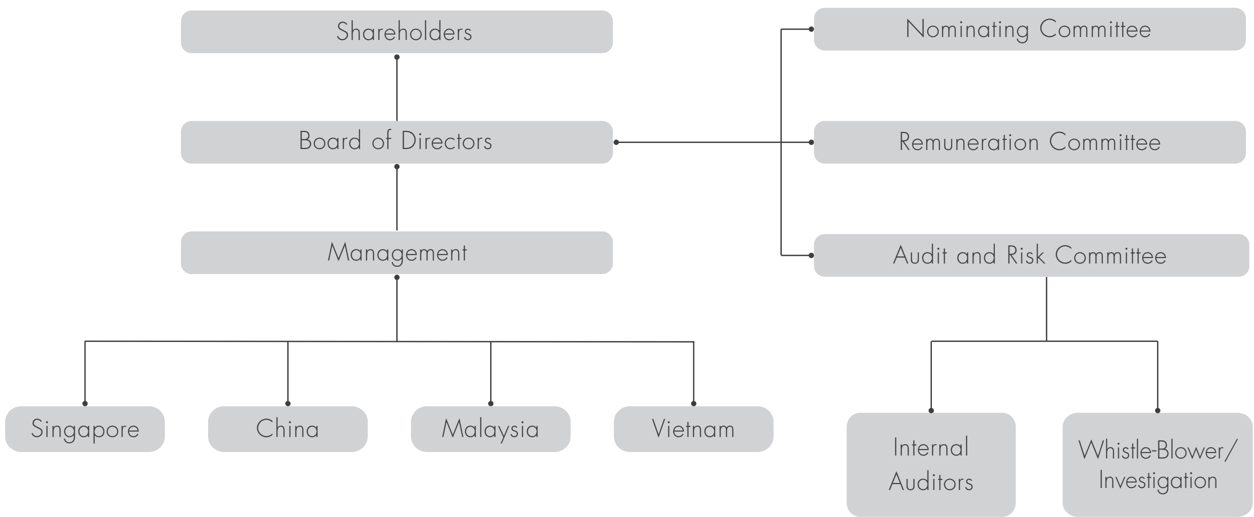
AUDIT PARTNER-IN-CHARGE

Khoo Gaik Suan

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

CORPORATE GOVERNANCE REPORT

CORPORATE STRUCTURE



The board of directors (the "Board") of Dynamic Colours Limited (the "Company") is committed to high standards of corporate conduct of conformity with the spirit of the revised Code of Corporate Governance (the "Code") issued on 6 August 2018 as well as its underlying principles and provisions.

To discharge its governance function, the Board and its committees established policies and rules to govern their activities. The Board and its committees are guided by their respective Terms of References.

The Board confirms that the principles and provisions of the Code have been adhered to except for the following where the deviations and explanations have been provided:–

(a) Provision 2.2
(b) Provision 11.4
(c) Provision 11.6

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

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

BOARD MATTERS

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success. The Management also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Board in the fulfilment of its responsibilities.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS
The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1

Board's Role

The principal functions of the Board include, inter alia, providing entrepreneurial leadership, setting strategic objectives, monitoring Management's performance, establishing a framework for prudent and effective control for risk management, safeguarding shareholders' interests and the Company's assets as well as setting values and standards (including ethical standards) for the Company. The Board is also mindful of the Company's social responsibilities.

The Board sets the directions for the Company where ethics and values are concerned. This helps to nurture an environment where integrity and accountability are keys.

The Board's Conduct of Affairs

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

(a) provides entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) establishes a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) reviews Management performance and hold Management accountable for performance;

(d) sets the Group's values and standards, and ensures that obligations to shareholders and others are understood and met;

(e) appointment of key personnel;

(f) reviews the financial performance of the Group and implement policies relating to financial matters, which include risk management as well as internal control and compliance; and

(g) assuming responsibility for corporate governance.

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

Objective Decision Making

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the Management to take objective decisions in the interest of the Group.

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Any Director who has conflict of interest which is likely to impact his or her independence or conflict with a subject under discussion by the Board is required to immediately declare his or her interest to the Board, remove himself or herself from the information flow and recuse from participating in any further discussion or voting on the subject matter.

Provision 1.2

Continuous Training and Development of Directors

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

(a) All Directors are encouraged to keep each other updated on developments relevant to the Company's business changes in laws and regulations and the like.

(b) All Directors, in particular new and first time Directors, are encouraged to attend the relevant courses, seminars, and talks on regulatory updates organised by regulatory bodies and professional institutions such as Singapore Institute of Directors ("SID") and Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company has an approved budget for such ongoing training for its Directors.

During the financial year 2019, certain Directors kept themselves abreast with regulatory changes: governance topics and other matters which assist them in their duties as Directors by attending courses or seminars conducted by external organisers. Details are as follows:–

Mr Chong Yee Siew Sebastian, Mr Tan Lye Huat and Mr Law Cheong Yan attended the courses listed below with attendance hours totaling 42 hours:–

Organiser	***Course Name***
PWC	Financial Instruments, Understanding the Basics
ACRA-SGX-SID	Audit Committee Seminar 2019
CPA Australia	Mitigating real-world bribery risks with good corporate governance
EY	M&A in the era of complexity
SID	Cyber Security Threats and Data Breaches
AICD	Effective International Boards
AT Kearney	Interview on strategic future direction of a Director Institute
SID	Directors Conference 2019
EY	Board Readiness for AGMs: Driving enhanced corporate reporting with technology
SID	Fireside Chat – Go Big or Go Home?
SID	Navigating Through a Financial Fraud Investigation
NUS/SID	Singapore Governance and Transparency Forum
CPA Australia	Singapore Governance & Transparency Forum
DBS	DBS Business Insights Series: Transformation – Past, Present and Future
PwC	PwC's Post-Budget Briefing

CORPORATE GOVERNANCE REPORT

Directors are also encouraged to read and actively engage in informal discussions on subjects which are relevant to the Group's business.

Appointment Letter to New Director

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

Provision 1.3

Internal Guidelines on Matters Requiring Board Approval

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

The matters which are specifically decided and approved by the Board are clearly documented in the minutes of meetings and kept with the Company Secretary.

Provision 1.4

Delegation of Authority to Board Committee

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

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

Each Board committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

Provision 1.5

Meetings of Board and Board Committees

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

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During the financial year, the Board held four (4) Board Meeting. A record of the Directors' attendance at the Board and Board Committee meetings as well as the General Meeting for the financial year ended 31 December 2019 is set out below:–

2019 Meeting Attendance[1]	Board	Audit and Risk Committee	Remuneration Committee	Nominating Committee	General Meeting
Number of Meetings held	**4**	**4**	**1**	**1**	**1**
Number of Meetings attended:					
Yeo Hock Leng[2]	4	N/A	N/A	N/A	1
Goh Seok Eng	4	N/A	N/A	N/A	1
Chong Yee Siew Sebastian	4	N/A	1	1	1
Tan Lye Huat	4	4	N/A	1	1
Law Cheong Yan	4	4	1	1	1
Shabbir s/o Hakimuddin Hassabhai	4	4	1	N/A	1

Notes

(1) Refers to meetings held/attended while each Director was in office

(2) Mr Yeo Hock Leng resigned as Executive Director effective on 31 December 2019; Mr Yeo appointed as Alternate Director to Mdm Goh Seok Eng effective on 1 January 2020.

(3) N/A: Not Applicable

Multiple Board Representations

All Directors are required to declare their Board Representations. The Nominating Committee has a set of guidelines on the maximum number of Board appointments in listed companies that Directors can hold to ensure that the Directors are able to commit their time and to effectively discharge their responsibilities.

The Nominating Committee recommends that Independent Directors serve concurrently on no more than two (2) other directorship in any publicly listed company on the SGX or international stock exchanges if he is full-time employed or five (5) directorship in any publicly listed company on the SGX or international stock exchanges if he/she does not hold any full-time employment.

The Nominating Committee considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The Directors has committed considerable time towards the many Board Meetings and Board Committee Meetings held in FY2019 and sometimes adjusted their schedules to ensure participation in Board and Board Committee Meetings for the deliberation of issues. The Nominating Committee finds that the Directors have committed their time effectively to discharge their responsibilities.

CORPORATE GOVERNANCE REPORT

Provision 1.6

Board's Access to Information

To assist the Board in fulfilling its duties and responsibilities, Management provides the Board with complete, adequate and timely information and such additional information as needed to enable the Board to make informed decisions in a timely manner. Information provided includes board papers and related materials, background or explanatory information relating to matters be brought before the Board, and copies of disclosure documents, budgets, and material variance between projections and actual results also be disclosed and explained. In addition, Management also provides the Board with monthly financial and management reports.

Board members will receive all Board papers not less than three working days in advance of meetings to enable them to have sufficient time to fully consider and deliberate issues to be considered at the meetings.

Provision 1.7

Board's Access to Management and Company Secretary

The Board has at all times separate and independent access to the Management through electronic mail, telephone and face-to-face meetings and are entitled at all times to request for any additional information needed to make informed decisions. Where necessary, key management staff, the Company's Auditors and/or external consultants are invited to attend Board and Board Committee Meetings to update and to provide independent professional advice on specific issues.

Directors have separate and independent access to the Company Secretary at all times. The role of the Company Secretary is defined in the appointment letter and covers both regulatory and procedural matters. The Company Secretary or her representatives attended all scheduled FY2019 Board and Board Committee meetings.

Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary is a decision of the Board as a whole.

Board's Access to Independent Professional Advice

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provisions 2.1, 2.2 and 2.3

Independent Element of the Board, Composition of Independent Directors and Non-Executive Directors on the Board

The Board comprises six (6) Directors, four (4) of whom are non-executive and three (3) are independent, thus providing a strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group.

CORPORATE GOVERNANCE REPORT

Independence of Directors

The Nominating Committee reviews the independence of each Independent Director and confirms that none of them has any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. The Nominating Committee is of the view that the three (3) Independent Directors (who represent majority of the Board) are independent as defined in the Code as well as being independent in character and judgement and no individual or small group of individuals dominates the Board's decision-making process. The Board concurs with the views of the Nominating Committee on the Independence of the three (3) Independent Directors.

Definition of Independent Director:

An Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

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

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

The Nominating Committee reviews annually the independence declarations made by the Company's Independent Directors based on the criterion of independence under the provisions in the Code including Practice Guidance 2 of the Code. For the year under review, the Nominating Committee has ascertained the independence status of all three Independent Directors of the Company. The Board has also reviewed the number of years served by each Independent Director (Mr Chong Yee Siew Sebastian has served for 12 years period, Mr Tan Lye Huat has served for 8 years period and Mr Law Cheong Yan has served for 2.5 years period). As Mr Chong Yee Siew Sebastian has been serving beyond 9 years in the financial year 2019, the Nominating Committee together with the Board (exclusive of Mr Chong Yee Siew Sebastian) performed a rigorous annual review on the independence of Mr Chong Yee Siew Sebastian, having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Director.

Separately, Mr Tan Lye Huat will be serving beyond 9 years in the financial year 2020, the Nominating Committee together with the Board (exclusive of Mr Tan Lye Huat) performed a rigorous annual review on the independence of Mr Tan Lye Huat, having considered his in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between his tenure and his ability to discharge his role as Independent Director.

CORPORATE GOVERNANCE REPORT

Provisions 2.4

Composition and Size of the Board

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

The Board of the Company comprises the following members as at 1 January 2020:

Executive Directors

Mdm Goh Seok Eng (Executive Chairman)
Mr Yeo Hock Leng (Chief Executive Officer and Alternate Director to Mdm Goh Seok Eng)

Independent Directors

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

Non-Executive and Non-Independent Director

Mr Shabbir s/o Hakimuddin Hassanbhai

The Company is currently reviewing to put a Board Diversity Policy in place. Some of the key considerations of the Nominating Committee would be to undertake an annual review of the Board's balance and diversity of skills, experience, knowledge, gender, ethnicity, geography and age of the Company and to be satisfied that the Board is well balanced and has, amongst its members, the relevant diversity of skills, experience, knowledge, gender and age of the Company.

Amongst the Directors are business, technical, management, accounting, finance, corporate governance and investing professionals who possess the relevant expertise and skill sets in their respective fields for effective decision making. Their combined core competencies and experience provide Management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. The Directors' profiles are set out in pages 11 and 12 of this Annual Report.

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

To be in compliance with Principle 2 of the Code for Board Composition and Guidance, specifically on Provisions 2.2, the Company has restructured its Board composition whereby (i) Mr Yeo Hock Leng stepped down as the Executive Chairman and Executive Director of the Company on 31 December 2019; (ii) Mr Yeo Hock Leng was re-designated as the Company's Chief Executive Officer; (iii) Mdm Goh Seok Eng be re-designated as the Company's Executive Chairman and at the same time appointed Mr Yeo Hock Leng as her Alternate Director effective on 1 January 2020.

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With the abovesaid arrangement, the Company is in compliance with Provisions 2.2 of Code whilst not losing the invaluable experiences that Mr Yeo Hock Leng has built over his close to three decades of executive and operational leadership role and continue to drive the Company direction as well as operational matters to the best of his ability and interest of the Company.

Competency of the Board

The Nominating Committee, without the engagement of an external facilitator, has performed the assessment for FY2019 and is of view that the performance of each individual Director and the Board as a whole were satisfactory. Although some of the Board members have multiple board representations and other work commitments, the Nominating Committee is satisfied that sufficient time and attention have been given by the Directors to the Group.

Provisions 2.5

Regular Meetings of Non-Executive Directors and Independent Directors

During the year, the Non-Executive Directors and Independent Directors communicate among themselves without the presence of Management as and when the need arises. The Lead Independent Director will also initiate to chair at least one (1) meeting during the financial year with the other Independent Directors. Such meeting(s) are held without the presence of the other Directors. The Chairman of the meeting will provide feedback to the Board and/or Management, as appropriate. The Company also benefits from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committee Meetings.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.2

Roles and Responsibilities of Chairman and CEO

The Board has on 1 January 2020 adopted the recommendation of the Code that the Chairman and the CEO should in principle be separate persons.

Effective on 1 January 2020, Mr Yeo Hock Leng, spouse of Mdm Goh Seok Eng, was re-designated as the Company's CEO whilst Mdm Goh was re-designated as the Executive Chairman.

Even though both Mr Yeo and Mdm Goh are related, given Mr Yeo's contribution to the success of the Company over the past twenty-six (26) years and the presence of a strong independent element on the Board, it is the view of the Board that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and no major decisions are made by an individual exercising any considerable concentration of power or influence. Furthermore, majority of the Board is made up of Independent Directors and all Board Committees are chaired by Independent Directors.

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Provisions 3.3

Lead Independent Director

The Board has also appointed Mr Chong Yee Siew Sebastian as the Lead Independent Director. Mr Chong is the Chairman for Remuneration Committee and a member for the Nominating Committee. Mr Chong is available to shareholders when they have concerns and contact through the normal channels of the Company has failed to resolve those concerns or for which the normal channels are inappropriate.

The position of Lead Independent Director of the Company will be rotated annually after the annual general meeting ("AGM") of the Company. Mr Tan Lye Huat will be appointed as the Lead Independent Director in place of Mr Chong Yee Siew Sebastian at the conclusion of the forthcoming AGM scheduled to be held on 23 June 2020. The Company will update the shareholders and the public of its next Lead Independent Director via an announcement through SGXNET.

PRINCIPLE 4: BOARD MEMBERSHIP
The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2

Nominating Committee ("NC") and Terms of Reference

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

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

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

(a) be responsible for the re-nomination of the Company's Directors (including Alternate Directors), having regard to the Director's contribution and performance;

(b) determine annually whether or not a Director is independent, bearing in mind the guidelines set out in the Code (as the same may be amended or supplemented from time to time) and any other salient factors;

(c) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director;

(d) regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its current position and make recommendations to the Board with regard to any changes;

(e) give full consideration to succession planning for the Board Chairman, Directors, CEO and members of senior management in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;

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(f) be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;

(g) before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall consider candidates on merit and against objective criteria, taking care that appointees are able to devote sufficient time to the position; and

(h) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.

NC Roles and Responsibilities

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

(a) the re-appointment of any non-executive Director at the conclusion of this specified term of office having given due regard to the independent status, performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(b) the re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's Constitution having due regard to the performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(c) the review of Board succession plans for the Executive Chairman, Directors and CEO;

(d) the review of training and professional development programs for the Board; and

(e) any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company.

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

Mdm Goh Seok Eng is subject to retirement pursuant to the Company's Constitution at the forthcoming AGM. Please refer to pages 151 to 153 for information on the Director nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Rules of the SGX-ST.

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

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

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

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Alternate Directors

The Company's Constitution provides for the appointment of Alternate Directors in Regulation 111. With effect from 1 January 2020, Mr Yeo Hock Leng is an Alternate Director to Mdm Goh Seok Eng and the CEO of the Company.

Provisions 4.4

NC's Determination of Independent Director's Independence

Annually, all Independent Directors are to submit to the NC and Board for review and concurrence, written confirmations on whether they consider themselves to be independent as set forth in Provision 2.1 of the Code. The Independent Directors have confirmed that they are independent and have no relationships with the Company, its related corporations, its substantial shareholders or its officers, and this have been confirmed by the NC and the Board.

Provisions 4.3 and 4.5

Process for Section and Appointment of New Directors

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

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, knowledge, qualifications, working experience and other relevant factors that could facilitate the Board in making sound and well considered decisions, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. Specifically, the NC shall:

(a) In terms of identifying and nominating candidates to fill Board vacancies, to:

- consider candidates from a wide range of backgrounds.
- consider candidates on their own merits and evaluate against objective criteria such as their experience, knowledge and skills in relation to the needs of the Board; and whether the candidates will add diversity to the Board and whether they are likely to have adequate time to discharge their duties.
- consider the composition and progressive renewal of the Board or Board Committees.

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

(c) Before recommending an appointee to the Board, the NC shall ask him to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board.

(d) Following the Board's confirmation, the NC will send the newly-appointed Director a formal appointment letter which clearly sets out his roles and responsibilities, authority, and the Board's expectations in respect of his time commitment as a Director of the Company.

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Key Information on Directors

KEY INFORMATION ON BOARD OF DIRECTORS						
Name of Director	**Directorship: (a) Date First Appointed (b) Date Last Elected**	**Board appointments whether executive or non-executive and whether considered to be independent on the Board of Dynamic Colours Limited**	**Board Committee as Chairman or Member**	**Past Directorships in other listed companies and other major appointments over the preceding three years**	**Present Directorships in other listed companies and other major appointments**	**Due for Re-election at next AGM**
Mdm Goh Seok Eng	(a) 2 July 1993 (b) 23 April 2018	Executive and Non-Independent	Executive Chairman – Board	Nil	Nil	Retirement pursuant to Regulation 106
Mr Yeo Hock Leng	(a) 1 January 2020 (b) N/A	Alternate Director to Mdm Goh Seok Eng	N/A	Dynamic Colours Limited	Nil	N/A
Mr Chong Yee Siew Sebastian FCA (Singapore), FCPA Australia, MEc Syd, BAcc (Hon) Sing	(a) 24 September 2007 (b) 25 April 2019	Non-Executive and Lead Independent	Chairman of Remuneration Committee Member – Nominating Committee	Nil	Managing Director, Financial Info Analysis Pte Ltd	N/A
Mr Tan Lye Huat FCA (Singapore), FCPA Australia	(a) 23 May 2011 (b) 23 April 2018	Non-Executive and Independent	Chairman of Nominating Committee Member – Audit and Risk Committee	Nil	Non-Executive and Independent Director (1) SP Corporation Limited (2) Japan Foods Holding Ltd (3) Neo Group Limited (4) Nera Telecommunications Ltd	N/A
Mr Law Cheong Yan FCA (Singapore), FCPA Australia	(a) 1 July 2017 (b) 23 April 2018	Non-Executive and Independent	Chairman of Audit and Risk Committee Member – Nominating Committee and Remuneration Committee	Nil	Chief Financial Officer – Chip Eng Seng Corporation Ltd	N/A
Mr Shabbir s/o Hakimuddin Hassanbhai FCMI, ACCA	(a) 1 July 2017 (b) 23 April 2018	Non-Executive and Non- Independent	Member – Audit and Risk Committee and Remuneration Committee	Intraco Limited	Independent Director of Intraco Ltd	N/A

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2

Board Performance

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

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

Performance Criteria for Board Evaluation

<u>Board Performance Criteria</u>

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

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

Evaluation of Individual Directors

<u>Individual Director's Performance Criteria</u>

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

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

CORPORATE GOVERNANCE REPORT

Evaluation of Executive Chairman and Chief Executive Officer

Executive Chairman and Chief Executive Officer Performance Criteria

The performance criteria for the Executive Chairman and Chief Executive Officer are as follows:–

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

REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and employees who are related to the controlling shareholders and/or Directors (if any) are handled by the Remuneration Committee whose primary functions include development of formal and transparent policies on remuneration matters in the Company.

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions 6.1, 6.2 and 6.3

Remuneration Committee ("RC") and Terms of Reference

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

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

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

(a) recommend to the Board a framework of remuneration and the specific remuneration packages for each Director, the CEO (or executive of equivalent rank) if the CEO is not a director and other Key Management Personnel. The recommendations of the RC should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the Committee;

(b) in determining the remuneration policy for the Directors and Key Management Personnel of the Company, the Committee shall take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the level and mix of remuneration is appropriate to attract, retain and motivate the Directors and Key Management Personnel needed to run the Company successfully, such level of remuneration not being overly excessive; and

CORPORATE GOVERNANCE REPORT

(c) review what compensation commitments the Directors' and Key Management Personnel's contract of service, if any, would entail in the event of early termination. The Committee should aim to be fair and avoid rewarding poor performance.

Provisions 6.4

RC's Access to Advice on Remuneration Matters

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

No remuneration consultant was engaged by the Company in FY2019.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1

Remuneration of Executive Directors and Key Management Personnel
Link between Remuneration and Performance

The Company sets remuneration packages which:

(a) align interests of Executive Director and CEO with those of shareholders;

(b) link rewards to corporate and individual performance; and

(c) are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group.

The performance-related elements of the Executive Director and CEO are governed by their service agreements which since the listing of the Company on the SGX-ST on 23 November 2007 provided them with annual profit-sharing incentive bonus (the "Incentive Bonus") based on the consolidated net profit before income tax and minority interests (before the Incentive Bonus) of the Group (as reflected in the audited consolidated accounts of the Group) for the relevant financial year. Such performance related remuneration is designed to align with the interests of the shareholders and other stakeholders and to promote long-term success of the Group.

For the purpose of assessing the performance of Key Management Personnel, key performance indicators ("KPI") are set out for each year.

For Key Management Personnel Performance, in addition to their monthly salary, they also receive variable performance bonus. The performance bonus amount is dependent on their individual performance as measured by their respective KPIs, as well as the performance of the Group as a whole.

CORPORATE GOVERNANCE REPORT

Contractual Provisions

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

Provisions 7.2

Remuneration of Non-Executive Directors

The fees of Non-Executive Directors for FY2019 were in accordance with the remuneration framework shown in the table below and amounted to S$225,000 approved by shareholders at the last AGM.

The RC has assessed the adequacy and structure of remuneration of Non-Executive Directors and the Board is proposing for Shareholders' approval at the forthcoming AGM, the same remuneration framework approved by Shareholders for FY2019 to apply in FY2020 as shown in the table below.

	Proposed for FY2020			FY2019		
	Annual Fees (S$)		Meeting Allowance	Annual Fees (S$)		Meeting Allowance
	Chairman	Member		Chairman	Member	
Board	45,000	33,000	NIL	45,000	33,000	NIL
Audit	20,000	12,000	NIL	20,000	12,000	NIL
Nominating	10,000	5,000	NIL	10,000	5,000	NIL
Remuneration	12,000	6,000	NIL	12,000	6,000	NIL
Lead Independent	N/A	5,000	NIL	N/A	5,000	NIL

If these fees are approved and there are no changes to the Board and Committee membership, the total fees for FY2020 will amount to S$225,000.

Directors' fees are only payable to Non-Executive Directors. The FY2019 fees and proposed fees for FY2020 are not payable to Executive Directors.

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

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

CORPORATE GOVERNANCE REPORT

Provisions 7.3

Remuneration Framework

The RC reviews annually the remuneration of Directors and senior management executives. For Executive Directors and CEO, their remuneration is stated in their service agreements and their compensation packages consist of salaries, bonuses, benefits-in-kind and annual profit-sharing incentive bonus that is dependent on the Group's performance. For the Non-Executive Directors, their fees comprise basic director fee and their respective fees for Lead Independent Director/ Board Committee appointments. For senior management staff, the remuneration components include salaries, bonuses and benefits-in-kind.

Long-term Incentive Scheme

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

Employee Share Option Scheme

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

PRINCIPLE 8: DISCLOSURE ON REMUNERATION
The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.3

Remuneration Report

Details on the remuneration of Directors and Key Management Personnel for the year under review are presented in the following table.

Remuneration of Directors

The remuneration of Non-Executive Directors has been detailed under Provision 7.2 above.

No payment was made or granted to any Director or the top five Key Management Personnel in relation to termination and retirement benefits in FY2019.

CORPORATE GOVERNANCE REPORT

The remuneration paid to the Directors for services rendered during FY2019 are as follows:–

Director	Remuneration (S$'000)	Director's Fees	Salary & CPF	Bonus & Other Variable Performance Component	Total
Yeo Hock Leng	659	–	59.5%	40.5%	100%
Goh Seok Eng	548	–	60.1%	39.9%	100%
Law Cheong Yan	63	100%	–	–	100%
Tan Lye Huat	56	100%	–	–	100%
Chong Yee Siew Sebastian	55	100%	–	–	100%
Shabbir s/o Hakimuddin Hassanbhai	51	100%	–	–	100%
Total Remuneration (S$'000)	1,432 100%	225 15.7%	722 50.4%	485 33.9%	1,432 100%

No Director is involved in determining his own remuneration. The remunerations of the Non-Executive Non-Independent and Independent Directors are in the form of a fixed fee, determined as prescribed under Provision 7.3 above and subject to approval at the AGM.

Remuneration of Key Management Personnel

The table below sets out the remuneration received by the top five Key Management Personnel of the Group during the financial year.

Remuneration Band	Key Management Personnel	Salary & CPF	Bonus & Other Variable Performance Component	Total
Below S$250,000	Tan Kuan Thim	85.1%	14.9%	100%
	Sim Jian Jie	79.9%	20.1%	100%
	Chong Wei Guan	81.0%	19.0%	100%
	Grace Yeo Jia Lin	77.7%	22.3%	100%
	He Fong Wei	80.9%	19.1%	100%
	Total Remuneration (S$'000)	81.5% 602	18.5% 137	100% 739

As explained in Provision 7.3 above, the Company currently does not have any employee share reward or share option scheme.

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Provisions 8.2

Employee Related to Directors/CEO

For FY2019, the remuneration of an employee who is an immediate family member of a Director or the CEO whose remuneration exceeds S$100,000 during the year is as follows:

Remuneration Band	Immediate Family Member of Director	Relationship with Director	Designation
S$100,000 – S$250,000	Grace Yeo Jia Lin	Daughter of Mr Yeo Hock Leng and Mdm Goh Seok Eng	Deputy General Manager

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provisions 9.1

Risk Committee, Risk Management and Internal Controls System

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

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

During FY2019, the ARC assisted the Board to oversee Management in the design, implementation and monitoring of the risk management and internal control systems and ARC reported to the Board on critical risk issues, material matters, findings and recommendations pertaining to risk management.

Risk Management

With effect from FY2019, the Group fine-tuned its Enterprise Risk Management ("ERM") framework to be closely modelled to the COSO's Enterprise Risk Management Integrated Framework, which is one of the most comprehensive frameworks available in this field to monitor its risk management capabilities. A total of 22 risks have been identified and classified under 3 main categories, namely business and strategic risks, financial risks and operational risks; of which compliance risks and information technology risks are subsets of the latter category. However, only the 10 are highlighted under the Key Risk Profile. The Group adopts a 3-dimensional Risk Evaluation Model risks to assess on the exposure, designed treatment

CORPORATE GOVERNANCE REPORT

plan and remedial action. Risk types are assigned with risk exposure rating based on the likelihood and consequence of each risk identified. The risk exposure rating determines the extent of risk exposure and the treatment plan. The Group's Risk Management Framework is focus on building a culture where the Group mitigates its risk exposure by calibrating risks to acceptable levels while achieving the Group's business plans and goals.

Risk Management Principles

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

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

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

Risk Tolerance

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

These principles are:

- Risk taken should be carefully evaluated, commensurate with rewards and in line with the Group's strategic objectives.

- Risk arising from a single area of operation, investment or undertaking should not be so huge as to endanger the entire Group.

- Risk arising from safety breaches or lapses, non-compliance with laws and regulations, fraud, bribery and corruption, are not acceptable.

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

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

CORPORATE GOVERNANCE REPORT

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

Our ERM system is designed to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded, the risks facing the business are being assessed and all information that may be required to be disclosed is reported to the Board through the ARC. We have reviewed the current ERM framework and are of the view that it remains appropriate for the financial year ended 31 December 2019.

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

No Threat to Going Concern

After making due inquiry, we are satisfied that as at 31 December 2019, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

Risk Matrix Table

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

LIKELIHOOD

CORPORATE GOVERNANCE REPORT

Risk Exposure and Appetite Table

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

Key Risk Profile 2019

The key risks that have been identified are closely monitored on our risk landscape in light of the changing business environment. These are the Top 10 Risks identified.

Business & Strategic Risks

Risks that can have an overall effect on the Company from a holistic perspective of long-term planning purposes and commercial existence.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Political, Regulatory and Industry Risks • Risk arising from uncertainty with political conditions such as changes in government policies, laws and regulations in the countries where the Group operates may adversely affect the Group's performance or business conduciveness. • The Group may be exposed to fluctuations as well as supply and demand cycles of the commodities and petro-chemical industries. • Various government policies such as those pertaining to environmental concerns may impact the business plan and profitability of the Group negatively such as increasing recycled material requests due to sustainability hype versus our virgin material competitive advantage.	• The Group monitors changes in political and industry conditions in countries where it operates and keeps itself updated on changes of regulations by the authorities through news development and confirmation from local professional advisors. • A close watch on the fluctuation of related commodities are in place to ensure better cost management. • Locals are recruited to manage the respective business/ operating units so as to better understand and ensure compliance, as well as timely update to the head office on any material changes in political, regulatory and/ or industry developments.

CORPORATE GOVERNANCE REPORT

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Business Continuity Risk • Business continuity is affected by market driven forces, evolving competitive landscape, changing customer demands disruptive innovation and relocation plans. • The Group remains vulnerable to a number of external factors including uncertainties in the global economy, implications from geopolitical developments on globalisation, threats of disruptive technology and governmental policies. • The business model and operations scalability for the Group might need to be revisited to be able to keep up with the uncertain macroeconomic conditions.	• The Group operates its business in countries and are strategically located in Asia to reduce its vulnerability to risk of market concentration so as to set-up a good Asian supply chain. • The Group considers business opportunities such as organic growth, diversification and moving up the supply value chain. • The Group continues to capitalise on its established brand-name to develop its market share in each of the country and identify opportunities to share cross-border commercial arrangements so as to leverage on business opportunities as they arise.
Competition Risk • Relatively low barriers to entry into the industry and the countries where the Group operates may create intense competition that affects its revenue performance through price skimming. • Overly reliance on few key customers may be a disadvantage and could be severely impacted should the major customers pull out their orders. • Changes in the design of customers' product to more compact size may adversely impact demand on resins.	• The Group strives to sustain its competitiveness through consistent quality product delivery and differentiation in its service delivery and response time to customers requirements. • The Group monitors changes in market and customer development and strive to broaden its customer base in the countries where it operates. • The Group maintains a lean organisation structure which is responsive and easily adaptable to changing market conditions and business environment.
Customer Risk • Risks associated with loss of customers through delivery performance. Possible causes are uncompetitive pricing, unsatisfactory product quality, inadequate service delivery or extended delivery lead times and limited product varieties. • The Group may face loss of business account or product switch by customers as risks resulting from heavily reliance on relatively few key customers. • Any significant changes in the modus operandi of the key customers will have a significant impact on the Group's operations and performance.	• The Group continues to maintain sound relationship and good communication with its customers through regular and personalised interactions as well as providing value-added services. • The Group initiate improvement efforts via regular communication and feedbacks from the Customer Satisfaction Survey exercises conducted. • The Group monitors the market development of key customers and explore new customers/markets to mitigate through diluting the effect of concentration on key customers.

CORPORATE GOVERNANCE REPORT

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Strategy Risk • The risk of lacking in a clear business strategy to be able to optimise existing businesses activities within the current as well as prolonged environments both during normal and challenging times. • The ability to react in time to any perceived business risks and opportunities so as to be able to mitigate and capitalise respectively on the situations. • New investments and expansion plans involving financial commitment for new business set up, dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations due to conservative business risk approaches.	• The Group builds on a regular process performed by Management for identifying, assessing and managing risks and uncertainties; backed by experiences and scenarios that could impede the organisation's ability to achieve its business strategy. • The Group seek to increase but limit communication of such strategy to key management staff only. • New investment proposal would be evaluated diligently to ensure its synergy with the corporate and investment objectives with relevant risk factors being considered.

Financial Risks

Risks associated with ensuring the overall economic performance, well-being and viability for the Company in the medium to long term.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Price Risk • Most commodity products have high price variability and volatility much in tandem with trends on crude oil price, commodities and other petro-chemical materials, which may create uncertainties on the Group's performance. • For some countries, the environmental concerns associated with some other raw materials such as additives and pigments may also posed challenges to the price now and in the future. • With globalisation and other governmental plans, the transportation costs associated with the shifting of procurement focus and production activities to be carried out may affect the bottom-line of the Group.	• This is an inherent risk that the Group cannot avoid; but the Group keeps itself abreast of developments in global markets and key price indicators to mitigate the risks. • In times of acceptable material prices, the Group may apply bulk purchase strategy to capitalise on future price gain. However, this strategy is managed together with costs associated with storage, such as holding costs and insurance costs. • The Group works closely with principal customers to counteract prevailing intense price competition so as to develop a market-equilibrium alongside value-added services so as to also benefit customers.
Foreign Exchange Risk • The Group revenue is primarily denominated is USD. Depreciation of USD and/or strengthening of domestic currency may result in exchange losses. • Appreciation of local currency against USD leads to an increase in production costs. • Risk of under-estimation of conversion rates might mislead in quotation price to below actual cost.	• Billing to and collections from customers are to be in USD whenever possible. • Maximise natural hedging with majority of cost of sales in materials are procured in USD. • Routine monitoring of exchange rate movements and take up hedging positions as needed as well as to maintain minimum cash holding level in currency other than USD.

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Operational Risks

Risks that usually have a direct impact on the Company and could incapacitate its operations in the medium to short term.

DESCRIPTION OF RISKS	WHAT WE DO TO MITIGATE THE RISKS
Relocation Risk • Relocation for Suzhou China underway and may have several impacts such as capital outflow, reduction in Group revenue, reinvestment risks and business pivot plan.	• The management needs to put up a business plan with more definite timelines to be in place. There are several business options; but the general idea would to keep abreast of opportunities that arises.
Work Health and Safety Risk • As a manufacturing outfit, the Group is exposed to work safety risks of employees arising from accidents that may arise in the course of the production process. • The risk of any disease pandemic remains common as a community and that encompasses various countries particularly with employees travelling to and fro entities. • Fire and other unforeseen circumstances may happen as a result of oversight or act of god.	• The Group has its workplace safety health and environment policy in place to cultivate a safety-consciousness culture at all levels. • Proper safety protective personal equipment is always in place to minimise exposure to hazards that cause serious workplace injuries and illnesses. • Disease pandemic preparedness plan is in place to ensure critical business functions are resumed quickly. • Refresher drills on fire safety, emergency evacuation and first aid response are conducted regularly.
Human Resource Risk • The Group depends on the services of qualified and skilled personnel for business nature. • Succession plan execution remains a challenge for key positions given the lean structure of the Group. • The rising compensation and benefit expectation in the employee market also add on to the challenges with the talent attraction and retention strategies for the Group.	• The Group provides a safe and healthy working environment as well as appropriate on-job training and career development opportunities to nurture and retained its current employees. • Other avenues such as outsourcing and/or recruitment via labour supply agency or recruitment firm for selected key positions. • The Group considers offer of competitive compensation and benefit packages based on relevant qualifications and experiences to attract; and job performance and pre-determined key performance indicators to retain.

Internal Controls

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

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

CORPORATE GOVERNANCE REPORT

Provisions 9.2

Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board acknowledges its responsibility for the Group's internal control but recognises that no cost-effective control system will entirely eliminate the risk of misstatement or loss. Based on the internal controls established and maintained by the Group, the work performed by the Internal Auditors, understanding by the External Auditors of internal controls relevant to their statutory audit in order to design audit procedures, supervision by Management and in the absence of any evidence to the contrary, the Board, with the concurrence of the ARC, are of the opinion that the Group's internal controls are adequate in addressing business and strategic, financial, operational, compliance and information technology risks as at 31 December 2019.

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

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

Board's Comment on Adequacy and Effectiveness of Internal Controls

The ARC and the Board received assurance from the CEO and CFO that:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risk in the Group in its present business environment including material financial, operational, compliance and information technology risks.

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

The Board, with the concurrence of the ARC, is satisfied that there are adequate internal controls in place to address the risks relating to financial, operational, compliance and information technology for the financial year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: AUDIT AND RISK COMMITTEE
The Board has an ARC, which discharges its duties objectively.

Provisions 10.1

Roles, Responsibilities and Authorities of the ARC

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

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

(a) reviewing and evaluating financial and operating results and accounting policies;

(b) reviewing the annual audit plans (Internal and External), their evaluation of the system of internal accounting controls and their audit reports;

(c) overseeing and reviewing the overall system of internal control and risk management system including their adequacy and effectiveness;

(d) reviewing the adequacy of the outsourced internal audit function;

(e) reviewing the Group's financial results and the announcements before submission to the Board for approval;

(f) reviewing the assistance given by the Management to Internal and External Auditors;

(g) considering and recommending the appointment/re-appointment of External Auditors and their remuneration;

(h) reviewing interested person transactions;

(i) reviewing acquisitions and realisations transactions; and

(j) other regulatory compliance matters as required by law or the Code.

Minutes of the ARC meetings are routinely tabled at Board Meetings for information. During FY2019, the ARC reviewed and if appropriate, approved all disclosable interested person transactions in accordance with the Shareholders' Mandate for Interested Person Transactions. Directors who are interested in the transaction had recused themselves from the deliberation and approval process in both the ARC and the Board deliberation. On a half-yearly basis, the ARC also reviewed the financial results announcement of the Company and the Group before their submission to the Board for approval.

The ARC had reviewed the External Auditor's audit plan for FY2019 and had agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In ARC's review of the financial statements of the Group for FY2019, it has discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also had considered the clarity of key disclosures in the financial statements.

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The ARC also reviewed and addresses, amongst other matters, the key audit matter ("KAM") as reported by the External Auditors for FY2019:–

- Compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd. and Suzhou Huiye Chemical & Light Industry Co. Ltd land and premises due to its significance to the financial statements and the significant management judgements involved in the accounting of the compensation income.

The ARC acknowledges the significance of the compulsory acquisition of the Group's China land and premises (the "Acquisition") in terms of time allocated to ascertain the precise terms and conditions surrounding the compensation agreements and the supplementary agreements (collectively known as the "Compensation Agreements") with the Chengnan Street Office of Wuzhong district, Suzhou ("Chengnan Office") on 30 August 2019 and 11 November 2019 respectively in relation to the compulsory acquisition of the China subsidiaries' properties. This is also on account that the China subsidiaries shall vacate the premises before completion of the Acquisition by 10 November 2020.

In addition, the Group has also reclassified certain property, plants and equipment of the China subsidiaries amounting to US$1.7 million to non-current assets held for sale. The financial results for the China subsidiaries have been presented as results from discontinued operations in the Consolidated Statement of Comprehensive Income.

After interpreting the term and conditions and compensation categories of the Compensation Agreements, the accounting of the compensation income for the financial year ended 31 December 2019 are as disclosed under Note 3.1(ii) to the Financial Statements under page 106.

Based on the facts presented and reviewed, the ARC concurs with the external auditor's issuance of the KAM as well as the management's assessment on the recognition of the compensation income, as well as required disclosures for the financial year ended 31 December 2019.

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

Following the review, the ARC is satisfied that all aforesaid matters have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 27 March 2020 approved the financial statements.

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

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

CORPORATE GOVERNANCE REPORT

ARC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfill its responsibilities, the ARC kept abreast on changes to accounting standards, SGX-ST rules and other codes and regulations which could have an impact on the Group's business and financial statements through briefings and updates by the internal and external auditors, the Company Secretary and Management.

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

In FY2019, members of the ARC and the Board were also briefed by the Management on the adoption of major changes to the Financial Reporting framework for the financial year ended 31 December 2019 and has applied SFRS(I) 16 Leases with 1 January 2019 using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The modified retrospective approach requires lease liability to be determined by present value of remaining lease payments using the incremental rate of borrowing to discount. The Group has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

Another framework beginning 1 January 2019 is SFRS(I) INT 23 Uncertainty over income tax treatment. The interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments (i.e. when the entity's position on interpretations of law and regulation is less than 50% probable to be accepted). The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income filings. Such that if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

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

Standards	**Financial Impact**
SFRS(I) 16 *Leases* (effective from 1 January 2019)	As at 1 January 2019, lease liability of US$62,363 and corresponding right-of-use assets of US$62,363 being recognised and presented as part of property, plant and equipment
SFRS(I) INT 23 *Uncertainty over income tax treatment* (effective from 1 January 2019)	No material impact

The Group has adopted the modified retrospective approach to account for the right-of-use assets, with lease liability determined by present value of remaining lease payments using the incremental rate of borrowing to discount.

CORPORATE GOVERNANCE REPORT

Review of External Auditors' Independence

The ARC reviewed the non-audit services provided by the External Auditors and its member firms as part of the ARC's assessment of the External Auditors' independence. During the financial year, the External Auditors and its member firms provided tax advisory to the Group. A breakdown of the fees recorded as expenses incurred for audit and non-audit services to the External Auditors and its member firms, which can be found in Note 23 to the Financial Statements in page 129 of this Annual Report, are analysed in the table below:–

FY2019	**US$**	**% of Total Fees**
Total Audit Fees	91,436	72.7
Total Non-audit Fees	34,331	27.3
Total Fees	125,767	100

The ARC reviewed and is of the view that the non-audit services in tax advisory provided by BDO LLP and its member firms in FY2019 will not prejudice the objectivity and independence of the External Auditors. The ARC has recommended and the Board has accepted proposing to shareholders, the re-appointment of BDO LLP as the independent auditors for the Group in the ensuing year. Accordingly, the Company has complied with Listing Rule 1203(5) in relation to the Company's appointment of auditing firms.

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

Whistle-Blowing Policy

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

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

CORPORATE GOVERNANCE REPORT

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

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

Whistle-blowing Committee ("WBC")

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

(i) look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARC);

(ii) make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and

(iii) access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

The ARC Chairman and ARC members will be responsible for administration of the Whistle-Blowing Policy. The Whistle-Blowing Policy will be reviewed annually by the Board of Directors of the Company. In the review, the ARC will address questions on the adequacy and effectiveness of the Whistle-Blowing Policy. The last Whistle-Blowing Policy was reviewed by the ARC and approved by the Board in February 2020.

Provisions 10.2

ARC Membership

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

(a) Mr Law Cheong Yan, Chairman (ID)
(b) Mr Tan Lye Huat (ID); and
(c) Mr Shabbir s/o Hakimuddin Hassanbhai

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

Expertise of ARC Members

The ARC members bring with them invaluable professional expertise in the recommended accounting and/or related financial management domains.

The Chairman of the ARC, Mr Law Cheong Yan holds a Bachelor of Accountancy (Hons) Degree from Nanyang Technological University. He is also a member of ISCA and CPA Australia. Mr Law is currently the Chief Financial Officer of Chip Eng Seng Corporation Limited. The other members of the ARC have many years of experiences in finance, accounting, commercial and compliance. The Board is satisfied that the members of the ARC have recent and relevant accounting or related financial management expertise and experience to discharge the ARC functions.

CORPORATE GOVERNANCE REPORT

Provisions 10.3

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

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

Provisions 10.4

Internal Auditors

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

Internal Audit Function

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

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

Adequacy and Effectiveness of Internal Audit Function

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

Provisions 10.5

Meeting with External and Internal Auditors

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING
The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are informed of General Meetings through notices published in the newspaper and the Company's announcements via SGXNET and the reports/circulars sent to all Shareholders.

Effective Shareholders' Participation

To facilitate Shareholders' effective participation at General Meetings, the Company holds its General Meetings at a location considered convenient and accessible to Shareholders. All Shareholders of the Group receive annual report, circulars and notices of all Shareholders' meetings.

The Company strongly encourages and supports Shareholders participation at all of its General Meetings. All Shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the General Meetings. The rules, including the voting process, were clearly explained by the scrutineers at such General Meetings. The Company's Constitution allows the appointment of not more than two proxies by Shareholders to attend the General Meetings and vote on his/her behalf.

Provisions 11.2

Separate Resolution at General Meetings

The Board ensures that there are separate resolutions at General Meetings on each distinct issue.

Proxies for Nominee Companies

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

Provisions 11.3

Attendees at General Meetings

At each Annual General Meeting, the Group CEO updates Shareholders on the recent progress of the Company.

The Chairman of the Board and its committees attend all General Meetings to address issues raised by Shareholders. The External Auditor is also present to address Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE REPORT

Directors' attendance at the General Meetings can be found in page 38 of the Annual Report.

Provisions 11.4

Absentia Voting

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

Provisions 11.5

Minutes of General Meetings

The minutes of General Meetings as recorded by the Company Secretary include comments and queries from Shareholders and responses from the Board. These minutes are made available to Shareholders upon written request and will be published on the Company's corporate website at https://www.dynamiccolours.com/annual-report/.

Provisions 11.6

Dividend Policy

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

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS
The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3

Communication with Shareholders

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

Information to Shareholders

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

CORPORATE GOVERNANCE REPORT

Soliciting and Understanding Views of Shareholders

To promote a better understanding of Shareholders' views, the Board actively encourages Shareholders to participate during the Company's General Meetings. These meetings provide excellent opportunities for the Company to obtain Shareholders' views on value creation.

All resolutions at General Meetings are put to vote by poll to allow greater transparency and more equitable participation by Shareholders. An independent scrutineer, Entrust Advisory Pte. Ltd. appointed by the Company to ensure the satisfactory procedure of the electronic polling process and to direct and supervise the counting of votes during the last Annual General Meeting held in 2019.

Dialogue with Shareholders

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

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1 and 13.2

Relationship with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. The Company's effort on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staffs, regulators, Shareholders and vendors. During FY2019, the Company's strategy and key areas of focus in relation to the management of stakeholder relationships can be found under the Sustainability Report Section on page 16.

Provisions 13.3

Communications with Stakeholders

Similar to the communications for Shareholders under Dialogue with Shareholders, the Company's Investor Relations contact as reflected on the website is to enable stakeholders to contact the Company.

CORPORATE GOVERNANCE REPORT

OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

Dealing in Securities [Listing Manual Rule 1207(09)]

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

Material Contracts [Listing Manual Rule 1207(08)]

Save for the service agreements between the Company and the Executive Director, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2019.

Interested Person Transactions [Listing Manual Rule 907]

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

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

CODE OF CONDUCT AND PRACTICES

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practice and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

DIRECTORS' STATEMENT

The Directors of Dynamic Colours Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019 and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

2. Directors

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

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

* Resigned as Director effective on 31 December 2019 and appointed as Alternate Director to Goh Seok Eng effective on 1 January 2020.

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

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

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

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' shareholdings, the Directors' interests as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

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

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

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

DIRECTORS' STATEMENT

6. Audit and Risk Committee

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

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

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

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

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's internal and external auditor; and

(f) the re-appointment of the external auditor of the Company.

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

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

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

DIRECTORS' STATEMENT

7. Independent auditor

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

On behalf of the Board of Directors

Goh Seok Eng	**Law Cheong Yan**
Director	Director

27 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Dynamic Colours Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dynamic Colours Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 79 to 144, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes of equity of the Company for the financial year ended on that date.

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Dynamic Colours Limited

Key Audit Matters

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

1 Compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd and Suzhou Huiye Chemical & Light Industry Co., Ltd land and premises

Key Audit Matter

The Group received a relocation notice on 17 December 2018 from Suzhou Wuzhong District Government that its subsidiaries in Suzhou, namely Suzhou Huiye Plastic Industry Co. Ltd ("SHP") and Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC") (collectively, the "China subsidiaries") will have to be relocated in accordance with planning adjustments of Wuzhong district in Suzhou.

Subsequent to the relocation notice, the China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the "Compensation Agreements") with the Chengnan Street Office of Wuzhong district, Suzhou (the "Chengnan office") on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office's compulsory acquisition of the China subsidiaries' properties (the "Acquisition"). The China subsidiaries shall vacate the premises before completion of the Acquisition by 10 November 2020.

Following the signing of the Compensation Agreements, the Group received partial compensation of US$6,775,675 from the Chengnan Office and recognised compensation income of US$1,658,857 during the financial year ended 31 December 2019 ("FY2019"). As at 31 December 2019, the compensation received in advance amounted to US$5,087,114. The Group also recognised termination benefit of US$1,184,618 during FY2019 as employees benefits expense.

As at 31 December 2019, the Group classified property, plant and equipment ("PPE") of the China subsidiaries of approximately US$1,745,440 to "Non-current Assets Held For Sale", and had discontinued depreciation of these PPE since September 2019. The results of the China subsidiaries for FY2019 and comparative figures are presented as results from discontinued operations in the Consolidated Statement of Comprehensive Income.

We have determined the Acquisition as a key audit matter due to its significance to the financial statements and the significant management judgements involved in the accounting of the compensation income.

Related Disclosures

Refer to Notes 2.20, 3.1(ii), 13, 18, 19, 21 and 23 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- obtained and read the Compensation Agreements and held meetings and discussions with management to understand the terms and conditions of the Acquisition and its impact on the accounting treatment for the China subsidiaries;
- evaluated management's assessment on the accounting treatment and recognition of compensation income;
- evaluated management's basis on classification of the China subsidiaries' non-current assets as held for sale and presentation of their results as discontinued operations;
- assessed management's measurement of the non-current assets held for sale at the lower of their carrying amounts and fair value less cost to sell; and
- assessed the adequacy of the related disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Dynamic Colours Limited

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Dynamic Colours Limited

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$	Group 2018 US$	Company 2019 US$	Company 2018 US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**13,093,921**	14,747,438	**1,579**	2,153
Prepaid land lease payments	6	**–**	1,429,475	**–**	–
Intangible assets	7	**–**	68	**–**	–
Deferred tax assets	8	**53,985**	38,722	**–**	–
Investment in subsidiaries	9	**–**	–	**7,949,511**	7,949,511
Total non-current assets		**13,147,906**	16,215,703	**7,951,090**	7,951,664
Current assets					
Inventories	10	**5,629,244**	7,173,824	**–**	331,360
Trade and other receivables	11	**4,089,526**	6,872,898	**8,859,425**	14,662,141
Prepayments		**115,593**	86,948	**5,628**	3,311
Tax paid in advance		**313,679**	155,874	**–**	–
Cash and bank balances	12	**19,542,099**	6,830,400	**8,952,652**	2,995,556
		29,690,141	21,119,944	**17,817,705**	17,992,368
Non-current assets held for sale	13	**1,745,440**	–	**–**	–
Total current assets		**31,435,581**	21,119,944	**17,817,705**	17,992,368
Total assets		**44,583,487**	37,335,647	**25,768,795**	25,944,032
EQUITY AND LIABILITIES					
Equity					
Share capital	14	**18,822,247**	18,822,247	**18,822,247**	18,822,247
Reserves	15	**2,040,921**	2,079,499	**151,827**	151,827
Retained earnings		**13,943,682**	11,840,088	**5,150,290**	4,844,175
Total equity attributable to owners of the parent		**34,806,850**	32,741,834	**24,124,364**	23,818,249
Non-current liabilities					
Lease liabilities[1]	16	**105,951**	14,523	**–**	–
Deferred tax liabilities	8	**981,839**	973,938	**–**	–
Total non-current liabilities		**1,087,790**	988,461	**–**	–
Current liabilities					
Trade and other payables	17	**2,675,780**	3,454,068	**1,576,118**	2,105,490
Lease liabilities[1]	16	**50,185**	12,836	**–**	–
Compensation received in advance	18	**5,087,114**	–	**–**	–
Provisions	19	**171,584**	–	**–**	–
Current income tax payable		**704,184**	138,448	**68,313**	20,293
Total current liabilities		**8,688,847**	3,605,352	**1,644,431**	2,125,783
Total liabilities		**9,776,637**	4,593,813	**1,644,431**	2,125,783
Total equity and liabilities		**44,583,487**	37,335,647	**25,768,795**	25,944,032

(1) Previously presented as finance lease liabilities

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Revenue	20	**27,443,402**	24,168,408
Cost of sales		**(21,358,247)**	(20,113,126)
Gross profit		**6,085,155**	4,055,282
Other item of income			
Other income	21	**117,232**	65,591
Other items of expense			
Distribution expenses		**(952,831)**	(807,381)
Administrative expenses		**(1,991,280)**	(1,913,843)
Other operating expenses		**(20)**	–
Finance income	22	**101,552**	25,211
Finance costs	22	**(22,602)**	(140,813)
Profit before tax from continuing operations	23	**3,337,206**	1,284,047
Income tax expense	24	**(893,332)**	(349,156)
Profit from continuing operations		**2,443,874**	934,891
Profit from discontinued operations, net of tax	13	**430,653**	451,933
Profit for the financial year		**2,874,527**	1,386,824
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(38,578)**	(140,226)
Income tax relating to items that may be reclassified subsequently		**–**	–
Other comprehensive income for the financial year, net of tax		**(38,578)**	(140,226)
Total comprehensive income for the financial year		**2,835,949**	1,246,598
Profit for the year attributable to:			
Owners of the parent		**2,874,527**	1,386,824
Total comprehensive income attributable to:			
Owners of the parent		**2,835,949**	1,246,598
Earnings per share from continuing operations attributable to owners of the parent (cents)			
Basic and diluted	25	**1.16**	0.45
Earnings per share from discontinued operations attributable to owners of the parent (cents)			
Basic and diluted	25	**0.21**	0.21

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$	Foreign exchange reserve* US$	Statutory reserve* US$	Share-based payment reserve* US$	Retained earnings US$	Total equity attributable to owners of the parent US$
Group							
Balance as at 1 January 2019		**18,822,247**	**93,308**	**1,834,364**	**151,827**	**11,840,088**	**32,741,834**
Profit for the financial year		**–**	**–**	**–**	**–**	**2,874,527**	**2,874,527**
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		**–**	**(38,578)**	**–**	**–**	**–**	**(38,578)**
Total comprehensive income for the financial year		**–**	**(38,578)**	**–**	**–**	**2,874,527**	**2,835,949**
Transactions with owners, recognised directly in equity							
Dividends	26	**–**	**–**	**–**	**–**	**(770,933)**	**(770,933)**
Balance as at 31 December 2019		**18,822,247**	**54,730**	**1,834,364**	**151,827**	**13,943,682**	**34,806,850**

* These reserve comprised the reserves of US$2,040,921 (2018: US$2,079,499) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$	Foreign exchange reserve* US$	Statutory reserve* US$	Share-based payment reserve* US$	Retained earnings US$	Total equity attributable to owners of the parent US$
Group							
Balance as at 1 January 2018		18,822,247	233,534	1,680,091	151,827	12,986,186	33,873,885
Profit for the financial year		–	–	–	–	1,386,824	1,386,824
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		–	(140,226)	–	–	–	(140,226)
Total comprehensive income for the financial year		–	(140,226)	–	–	1,386,824	1,246,598
Transactions with owners, recognised directly in equity							
Dividends	26	–	–	–	–	(2,378,649)	(2,378,649)
Transfer to statutory reserve		–	–	154,273	–	(154,273)	–
Balance as at 31 December 2018		18,822,247	93,308	1,834,364	151,827	11,840,088	32,741,834

* These reserve comprised the reserves of US$2,040,921 (2018: US$2,079,499) in the consolidated statement of financial position.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$	Share-based payment reserve US$	Retained earnings US$	Total equity US$
Company					
Balance as at 1 January 2019		**18,822,247**	**151,827**	**4,844,175**	**23,818,249**
Profit for the financial year, representing total comprehensive income for the financial year		**–**	**–**	**1,077,048**	**1,077,048**
Dividends, representing transactions with owners, recognised directly in equity	26	**–**	**–**	**(770,933)**	**(770,933)**
Balance as at 31 December 2019		**18,822,247**	**151,827**	**5,150,290**	**24,124,364**
Balance as at 1 January 2018		**18,822,247**	**151,827**	**3,528,407**	**22,502,481**
Profit for the financial year, representing total comprehensive income for the financial year		–	–	3,694,417	3,694,417
Dividends, representing transactions with owners, recognised directly in equity	26	–	–	(2,378,649)	(2,378,649)
Balance as at 31 December 2018		18,822,247	151,827	4,844,175	23,818,249

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Cash flows from operating activities			
Profit before tax from continuing operations		**3,337,206**	1,284,047
Profit before tax from discontinued operations	13	**423,821**	588,692
Profit before tax, total		**3,761,027**	1,872,739
Adjustments for:			
Amortisation of prepaid land lease payments	6	**–**	39,207
Amortisation of intangible assets	7	**68**	3,508
Depreciation of property, plant and equipment	4	**1,506,127**	1,355,004
Gain on disposal of property, plant and equipment, net		**(48,259)**	(1,052)
Inventories written down	10	**114,810**	–
Interest expense	22	**3,940**	87,824
Interest income	22	**(107,799)**	(27,020)
Loss allowance on trade receivables		**42,542**	–
Property, plant and equipment written off		**422**	5,368
Unrealised foreign exchange (gain)/loss		**(781)**	22,628
Operating cash flows before working capital changes		**5,272,097**	3,358,206
Changes in working capital:			
Inventories		**1,424,089**	820,440
Trade and other receivables		**2,781,505**	295,548
Prepayments		**(18,357)**	8,767
Trade and other payables		**(778,148)**	(17,497)
Provisions		**173,619**	–
Cash generated from operations		**8,854,805**	4,465,464
Income tax paid		**(486,516)**	(1,116,392)
Net cash from operating activities		**8,368,289**	3,349,072
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	**(105,922)**	(588,188)
Interest received		**61,561**	27,020
Proceeds from disposal of property, plant and equipment		**121,490**	10,789
Compensation received in advance	18	**5,116,818**	–
Net cash from/(used in) investing activities		**5,193,947**	(550,379)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$	2018 US$
Cash flows from financing activities			
Dividends paid	26	**(770,933)**	(2,378,649)
Interest paid		**(3,940)**	(87,824)
Deposit refunded		**–**	2,027
Repayment of obligations under leases (2018: Repayment of obligations under finance leases)	16	**(40,857)**	(11,549)
Repayments of short-term loans	A	**–**	(1,092,187)
Proceeds from trust receipts	A	**–**	10,012,290
Repayments of trust receipts	A	**–**	(11,662,785)
Net cash used in financing activities		**(815,730)**	(5,218,677)
Net change in cash and cash equivalents		**12,746,506**	(2,419,984)
Cash and cash equivalents at beginning of financial year		**6,638,586**	9,021,509
Effect of foreign exchange rate changes on cash and cash equivalents		**(39,191)**	37,061
Cash and cash equivalents at end of financial year	12	**19,345,901**	6,638,586

Note A: Reconciliation of liabilities arising from financing activities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1. General

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

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

The ultimate controlling party of Dynamic Colours Limited and its subsidiaries is Intraco Limited.

The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in United States dollar ("US$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

<u>Changes in accounting policies</u>

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation** (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as at 1 January 2019 (the "date of initial application") and recognised right-of-use asset for leases previously classified as an operating lease applying SFRS(I) 1-17 at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statements of financial position immediately before the date of initial application. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the practical expedient and use hindsight for the purpose of measuring the right-of-use asset. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those leases with a term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to office premises and equipment, which had previously been classified as operating leases and reclassified prepaid land lease payments as right-of-use assets. The Group presents right-of-use assets in "Property, plant and equipment" (Note 4).

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 5.31%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) US$
Assets	
Property, plant and equipment	1,491,838
Prepaid land lease payments	(1,429,475)
Liabilities	
Lease liabilities	62,363

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitments as at 31 December 2018 can be reconciled as follows:

	US$
Operating lease commitment as at 31 December 2018 (Note 27)	67,175
Add: Effect of extension options reasonably certain to be exercised	332
Add: Effect of purchase options reasonably certain to be exercised	326
	67,833
Effect of discounting using the incremental borrowing rate as at date of initial application	(5,470)
	62,363

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Company has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

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

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

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

2.4 Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

Leasehold land and factory buildings	6 to 60 years
Prepaid land lease prepayment	40 to 50 years
Leased premises	1.5 to 4 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	5 to 10 years
Renovation	3 to 5 years

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

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

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

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Prepaid land lease payments

Prepaid land lease payments represent upfront payments to acquire long term interests in the usage of land and are initially measured at cost. Following initial recognition, they are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is charged to profit or loss on a straight-line basis over their estimated lease term of 40 to 43 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets

Computer software

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

Computer software are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 to 10 years.

2.7 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessee (Continued)

Initial measurement (Continued)

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in "Property, plant and equipment" and lease liabilities separately from other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities and variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 January 2019

As lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.16).

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

Accounting policy prior to 1 January 2019 (Continued)

As lessee (Continued)

Operating leases

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

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

2.8 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Obsolete and slow-moving inventories are written down to the lower of cost and net realisable value.

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

2.10 Financial instruments

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

Financial assets

The Group classifies its financial assets depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group classified its financial assets at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

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

Credit-impaired financial assets

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

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

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

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Trade and other payables

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

Financial guarantee contracts

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

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

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.11 Cash and bank balances

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

2.12 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

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

2.13 Revenue recognition

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

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

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

The Group's obligation to transfer goods to customer for which it has received consideration from the customer is presented as advances from customers as part of trade and other payables (Note 17).

2. Summary of significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

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

Dividend income

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

Sales of scrap

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

2.14 Government grants

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

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under "Other income".

2.15 Employee benefits

Defined contribution plans

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

Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

Profit sharing and bonus plans

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

Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

2.16 Borrowing costs

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

2.17 Taxes

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

Current income tax

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

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Deferred tax (Continued)

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

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

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

Sales tax

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

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

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

2.18 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.19 Foreign currency transactions and translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

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

2.20 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.20 Non-current assets held for sale and discontinued operations (Continued)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.22 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

(i) Impairment assessment of non-trade amount due from subsidiaries

At each reporting date, management determines whether there is change in credit risk of the subsidiaries since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the subsidiaries. There is no significant increase in credit risk as at 31 December 2019.

(ii) Recognition of compensation income arising from compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd ("SHP") and Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC") (collective, the "China subsidiaries") land and premises

The Group's China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the "Compensation Agreements") with the Chengnan Street Office of Wuzhong district, Suzhou (the "Chengnan office") on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office's compulsory acquisition of the China subsidiaries' properties and received partial compensation of US$5,927,343 and US$848,332 in relation to the compensation agreements and supplementary agreements respectively.

The Compensation Agreements comprised various terms and conditions and compensation categories such as land, buildings, ancillary assets, losses due to suspension of business and related expenses. Management determined and recognised compensation income of US$810,525 and US$848,332 in relation to the compensation agreements and supplementary agreements respectively during the financial year ended 31 December 2019 (Note 18).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment ("PPE")

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

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

The carrying amount of the Group's PPE as at 31 December 2019 was US$13,093,921 (2018: US$14,747,438).

(ii) Expected credit loss allowance

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

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

During the reporting period, the loss allowance on trade receivables of US$42,542 (2018: US$Nil) was recognised in the Group's profit or loss. The carrying amount of the Group's and the Company's trade receivables as at 31 December 2019 was US$3,153,280 and US$8,059,345 (2018: US$6,566,464 and US$9,845,228) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Expected credit loss allowance (Continued)

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

Management individually assessed and determined that Company's trade receivables due from HVP, amounting to US$4,042,120 of which US$3,352,040 was past due more than 90 days and subsequently identified that the trade receivables is credit-impaired. In measurement of the ECL on the trade receivables due from HVP, management evaluated the recovery options and credit loss scenarios based on reasonable and supportable information such as the available internal information on HVP's past, current and expected operating performance and cash flow position.

(iii) Inventories valuation method

Inventories are carried at lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from market of similar items. Management reviews the Group's inventories levels in order to identify slow-moving and obsolete merchandise and identifies items of inventories which have a market price that lower than its carrying amount. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventories which could then consequentially impact the Group's results, cash flows and financial position. Management has written down US$114,810 (2018: US$Nil) of its inventories to net realisable value during the financial year. The carrying amount of the Group's and the Company's inventories was US$5,629,244 and US$Nil (2018: US$7,173,824 and US$331,360) as at 31 December 2019 (Note 10).

NOTES TO THE FINANCIAL STATEMENTS
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4. Property, plant and equipment

	Prepaid land lease payments US$	Leasehold land and factory buildings US$	Leased premises US$	Plant and machinery US$	Motor vehicles US$	Furniture, fittings and equipment US$	Renovation US$	Assets under construction US$	Total US$
Group									
Cost									
Balance at 1 January 2019	**–**	**9,983,534**	**–**	**12,709,542**	**668,291**	**1,323,877**	**188,194**	**97,102**	**24,970,540**
Adoption of SFRS(I) 16 (Note 2.1)	**1,671,799**	**–**	**48,559**	**–**	**–**	**13,804**	**–**	**–**	**1,734,162**
Balance at 1 January 2019 (restated)	**1,671,799**	**9,983,534**	**48,559**	**12,709,542**	**668,291**	**1,337,681**	**188,194**	**97,102**	**26,704,702**
Additions	**–**	**–**	**5,863**	**3,184**	**97,813**	**42,541**	**26,322**	**33,875**	**209,598**
Disposals	**–**	**–**	**–**	**(61,178)**	**(326,172)**	**(506)**	**–**	**–**	**(387,856)**
Written-off	**–**	**–**	**–**	**(4,024)**	**–**	**(7,876)**	**–**	**–**	**(11,900)**
Transfer to non-current assets held for sale (Note 13)	**(418,701)**	**(3,280,507)**	**–**	**(960,678)**	**–**	**(446,601)**	**–**	**–**	**(5,106,487)**
Transfer to prepayment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,288)**	**(10,288)**
Reclassification	**–**	**26,467**	**–**	**65,123**	**–**	**7,408**	**–**	**(98,998)**	**–**
Exchange differences	**–**	**–**	**–**	**(1,245)**	**(394)**	**(2,214)**	**–**	**–**	**(3,853)**
Balance at 31 December 2019	**1,253,098**	**6,729,494**	**54,422**	**11,750,724**	**439,538**	**930,433**	**214,516**	**21,691**	**21,393,916**
Balance at 1 January 2018	–	9,725,188	–	12,694,021	628,714	1,224,582	128,467	309,714	24,710,686
Additions	–	–	–	133,145	–	36,066	–	418,977	588,188
Disposals	–	–	–	(92,876)	–	(889)	–	–	(93,765)
Written-off	–	–	–	(6,912)	–	(46,923)	–	–	(53,835)
Reclassification	–	367,664	–	17,280	44,949	141,969	59,727	(631,589)	–
Exchange differences	–	(109,318)	–	(35,116)	(5,372)	(30,928)	–	–	(180,734)
Balance at 31 December 2018	–	9,983,534	–	12,709,542	668,291	1,323,877	188,194	97,102	24,970,540

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment (Continued)

	Prepaid land lease payments US$	Leasehold land and factory buildings US$	Leased premises US$	Plant and machinery US$	Motor vehicles US$	Furniture, fittings and equipment US$	Renovation US$	Assets under construction US$	Total US$
Group									
Accumulated depreciation									
Balance at 1 January 2019	**–**	**2,717,338**	**–**	**5,938,708**	**430,509**	**1,041,901**	**94,646**	**–**	**10,223,102**
Adoption of SFRS(I) 16 (Note 2.1)	**242,324**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**242,324**
Balance at 1 January 2019 (restated)	**242,324**	**2,717,338**	**–**	**5,938,708**	**430,509**	**1,041,901**	**94,646**	**–**	**10,465,426**
Depreciation	**39,050**	**292,424**	**25,228**	**974,898**	**83,665**	**71,847**	**19,015**	**–**	**1,506,127**
Disposals	**–**	**–**	**–**	**(55,061)**	**(259,058)**	**(506)**	**–**	**–**	**(314,625)**
Written-off	**–**	**–**	**–**	**(3,622)**	**–**	**(7,856)**	**–**	**–**	**(11,478)**
Transfer to non-current assets held for sale (Note 13)	**(170,329)**	**(1,985,613)**	**–**	**(786,866)**	**–**	**(399,489)**	**–**	**–**	**(3,342,297)**
Exchange differences	**–**	**–**	**–**	**(1,048)**	**(138)**	**(1,972)**	**–**	**–**	**(3,158)**
Balance at 31 December 2019	**111,045**	**1,024,149**	**25,228**	**6,067,009**	**254,978**	**703,925**	**113,661**	**–**	**8,299,995**
Balance at 1 January 2018	–	2,448,815	–	5,227,572	342,652	1,039,073	64,859	–	9,122,971
Depreciation	–	326,072	–	832,797	91,109	75,239	29,787	–	1,355,004
Disposals	–	–	–	(83,761)	–	(267)	–	–	(84,028)
Written-off	–	–	–	(6,221)	–	(42,246)	–	–	(48,467)
Exchange differences	–	(57,549)	–	(31,679)	(3,252)	(29,898)	–	–	(122,378)
Balance at 31 December 2018	–	2,717,338	–	5,938,708	430,509	1,041,901	94,646	–	10,223,102
Net carrying amount									
Balance at 31 December 2019	**1,142,053**	**5,705,345**	**29,194**	**5,683,715**	**184,560**	**226,508**	**100,855**	**21,691**	**13,093,921**
Balance at 31 December 2018	–	7,266,196	–	6,770,834	237,782	281,976	93,548	97,102	14,747,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment (Continued)

As at 31 December 2019, the assets under construction mainly pertained to installation of machinery (2018: assembly of equipment) in Malaysia (2018: Malaysia) which is not ready for use at the end of the reporting date.

As at 31 December 2019, the prepaid land lease payments represent land use rights held by the subsidiary in Vietnam, Huiye (Vietnam) Plastic Co., Ltd ("HVP"), and the remaining amortisation period is 38 years. The lease does not include contingent rental.

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 5 to the financial statements.

The carrying amount of property, plant and equipment acquired under finance lease as at 31 December 2018 amounted to US$66,899.

Included within addition in 2019 are additions under leasing arrangement amounting to US$103,676 as disclosed in Note 5 to the financial statements and US$105,922 are acquired by cash payment.

	Furniture, fittings and equipment US$
Company	
Cost	
Balance at 1 January 2019 and 31 December 2019	**9,941**
Balance at 1 January 2018	7,070
Additions	2,871
Balance at 31 December 2018	9,941
Accumulated depreciation	
Balance at 1 January 2019	**7,788**
Depreciation	**574**
Balance at 31 December 2019	**8,362**
Balance at 1 January 2018	7,070
Depreciation	718
Balance at 31 December 2018	7,788
Net carrying amount	
Balance at 31 December 2019	**1,579**
Balance at 31 December 2018	2,153

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. Leases

The Group as a lessee

The Group has lease contracts for office premises and staff accommodation (collectively, "leased premises"), motor vehicles and equipment. The Group's obligation under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension option which are further discussed below.

The Group also has a leased premise with lease terms of 12 months or less. The Group applies the "short-term lease" recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets classified within property, plant and equipment

	Prepaid land lease payments US$	Leasehold land and factory buildings US$	Leased premises US$	Motor vehicles US$	Furniture, fittings and equipment US$	Total US$
At 1 January 2019	**1,429,475**	**5,844,989**	**48,559**	**66,899**	**13,804**	**7,403,726**
Additions	**–**	**–**	**5,863**	**97,813**	**–**	**103,676**
Amortisation	**(39,050)**	**(217,198)**	**(25,228)**	**(32,041)**	**(3,109)**	**(316,626)**
Transfer to non-current assets held for sale	**(248,372)**	**(1,294,894)**	**–**	**–**	**–**	**(1,543,266)**
Reclassified from assets under construction	**–**	**26,467**	**–**	**–**	**–**	**26,467**
At 31 December 2019	**1,142,053**	**4,359,364**	**29,194**	**132,671**	**10,695**	**5,673,977**

The useful life of the right-of-use assets are as follows:

	Useful lives
Prepaid land lease payments	40 to 43 years
Leasehold land and factory buildings	6 to 60 years
Leased premises	1.5 to 4 years
Motor vehicles	5 to 7 years
Furniture, fittings and equipment	1.3 to 4.8 years

(b) Lease liabilities

The carrying amounts of lease liabilities, movements during the year and the maturity analysis of lease liabilities are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. **Leases** (Continued)

The Group as a lessee (Continued)

(c) Amount recognised in profit or loss

	Group 2019 US$
Amortisation of right-of-use assets	**316,626**
Interest expense on lease liabilities (Note 16)	**3,940**
Lease expense not capitalised in lease liabilities:	
– Expense relating to short-term leases (included in cost of sales)	**4,089**
Total amount recognised in profit or loss	**324,655**

(d) Extension options

The Group has several lease contracts that include extension options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

The Group as lessor

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

	Group	
	2019 US$	2018 US$
Not later than one year#	**149,070**	188,907
Later than one year but not later than five years	**–**	368,908
	149,070	557,815

As a result of the Chengnan Office compulsory acquisition of the China subsidiaries' properties (Note 13), certain tenancy agreement between the subsidiary in People's Republic of China and its tenants will be cancelled by 10 November 2020.

As at 31 December 2018, these non-cancellable leases have remaining lease terms of 2 to 4 years. All leases include a clause to enable upward revision of the rental charge on a tri-annum basis based on fixed agreed percentage. There is no contingent rental.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Prepaid land lease payments

	Group US$
Cost	
Balance at 1 January 2019	**1,671,799**
Adoption of SFRS(I) 16 (Note 2.1 and 4)	**(1,671,799)**
Balance at 1 January 2019 (restated) and 31 December 2019	**–**
Balance at 1 January 2018	1,681,367
Exchange differences	(9,568)
Balance at 31 December 2018	1,671,799
Accumulated amortisation	
Balance at 1 January 2019	**242,324**
Adoption of SFRS(I) 16 (Note 2.1 and 4)	**(242,324)**
Balance at 1 January 2019 (restated) and 31 December 2019	**–**
Balance at 1 January 2018	207,577
Amortisation	39,207
Exchange differences	(4,460)
Balance at 31 December 2018	242,324
Net carrying amount	
Balance at 31 December 2019	**–**
Balance at 31 December 2018	1,429,475

As at 31 December 2018, the prepaid land lease payments represent land use rights held by subsidiaries in the People's Republic of China and Vietnam. The prepaid land lease payments has been reclassified to property, plant and equipment (Note 4) as at 1 January 2019.

As at 31 December 2018, the remaining amortisation period of the land use rights is between 33 to 39 years. None of the leases include contingent rentals.

As at 31 December 2018, the Group has pledged prepaid land lease payments with carrying amount of US$100,592 to secure banking facilities granted to a subsidiary which was not utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Intangible assets

	Computer software US$
Group	
Cost	
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	157,781
Accumulated amortisation	
Balance at 1 January 2019	**157,713**
Amortisation	**68**
Balance at 31 December 2019	**157,781**
Balance at 1 January 2018	154,205
Amortisation	3,508
Balance at 31 December 2018	157,713
Net carrying amount	
Balance at 31 December 2019	**–**
Balance at 31 December 2018	68

8. Deferred tax

	Group	
	2019 US$	**2018 US$**
Deferred tax assets	**53,985**	38,722
Deferred tax liabilities	**981,839**	973,938

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

	Group	
	2019 US$	**2018 US$**
Balance at 1 January	**(935,216)**	(866,078)
Credit/(Charge) to profit or loss (Note 24)	**8,128**	(67,640)
Exchange differences	**(766)**	(1,498)
Balance at 31 December	**(927,854)**	(935,216)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. Deferred tax (Continued)

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

Deferred tax liabilities

	Accelerated tax depreciation US$	Others US$	Total US$
Group			
Balance at 1 January 2018	801,377	64,701	866,078
Charge to profit or loss	100,351	7,509	107,860
Balance at 31 December 2018	901,728	72,210	973,938
Charge/(credit) to profit or loss	8,901	(1,000)	7,901
Balance at 31 December 2019	**910,629**	**71,210**	**981,839**

Deferred tax assets

	Others US$	Total US$
Group		
Balance at 1 January 2018	–	–
Credit to profit or loss	40,220	40,220
Exchange differences	(1,498)	(1,498)
Balance at 31 December 2018	38,722	38,722
Credit to profit or loss	16,029	16,029
Exchange differences	(766)	(766)
Balance at 31 December 2019	**53,985**	**53,985**

In the current financial year, tax losses of a subsidiary of the Group brought forward from prior years of approximately US$61,000 for which no deferred tax asset was recognised has been fully utilised as disclosed in the tax reconciliation in Note 24 to the financial statements.

9. Investment in subsidiaries

	Company	
	2019 US$	2018 US$
Unquoted equity shares, at cost	**7,949,511**	7,949,511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. **Investment in subsidiaries** (Continued)

Movement in impairment loss is as follows:

	Company	
	2019	**2018**
	US$	**US$**
Balance at 1 January	**–**	650,000
Reversal during the financial year	**–**	(650,000)
Balance at 31 December	**–**	–

In 2018, management carried out a review of the recoverable amount of the investment in subsidiaries. The review led to recognition of a reversal of impairment loss of US$650,000 relating to the investment in HVP. The recoverable amount of HVP has been determined on the basis of fair value less costs of disposal.

Cash and bank balances of US$6,823,229 (2018: US$212,237) held in the People's Republic of China, are subject to local exchange control regulations. These regulations place restrictions on exporting capital from the country, other than through normal dividends.

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	**Principal activities**	**Proportion of ownership interest held by the Group**	
		2019	**2018**
		%	**%**
S.L. Packaging Industries Pte. Ltd.[(1)] (Singapore)	Sale of polyethylene packaging materials	**100**	100
Suzhou Huiye Chemical & Light Industry Co., Ltd.[(2)] (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	**100**	100
Suzhou Huiye Plastic Industry Co., Ltd.[(2)] (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	**100**	100
Huiye Polymer (M) Sdn. Bhd.[(3)] (Malaysia)	Manufacture and sale of compounded resins, toll compounding services and manufacture and sale of polyethylene packaging materials	**100**	100
Huiye (Vietnam) Plastic Co., Ltd.[(4)] (Vietnam)	Manufacture and sale of compounded resins and toll compounding services	**100**	100

(1) Audited by BDO LLP, Singapore.

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

(3) Audited by BDO PLT, Malaysia.

(4) Audited by BDO Audit Services Co., Ltd., Vietnam.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Finished goods	**1,183,482**	1,146,356	**–**	–
Work in progress	**395,724**	292,448	**–**	–
Raw materials	**3,931,288**	5,265,540	**–**	–
Goods in transit				
– raw materials	**118,750**	469,480	**–**	331,360
	5,629,244	7,173,824	**–**	331,360

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

During the financial year, the Group has written down US$114,810 (2018: US$Nil) of its inventories.

11. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Trade receivables				
– third parties	**3,195,266**	6,566,464	**–**	–
– subsidiaries	**–**	–	**8,059,345**	9,845,228
	3,195,266	6,566,464	**8,059,345**	9,845,228
Less: loss allowance – third parties	**(41,986)**	–	**–**	–
Sub-total	**3,153,280**	6,566,464	**8,059,345**	9,845,228
Other receivables				
– third parties	**379,440**	31,686	**–**	–
– subsidiaries	**–**	–	**508,026**	4,807,765
Interest receivables	**46,238**	–	**46,238**	–
Goods and services tax receivable	**9,836**	9,148	**9,836**	9,148
Deposits	**33,155**	22,321	**–**	–
Advances to suppliers	**467,577**	243,279	**235,980**	–
Total trade and other receivables	**4,089,526**	6,872,898	**8,859,425**	14,662,141
Add/(Less):				
Advances to suppliers	**(467,577)**	(243,279)	**(235,980)**	–
Goods and services tax receivable	**(9,836)**	(9,148)	**(9,836)**	(9,148)
Cash and bank balances (Note 12)	**19,542,099**	6,830,400	**8,952,652**	2,995,556
Financial assets at amortised costs	**23,154,212**	13,450,871	**17,566,261**	17,648,549

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. **Trade and other receivables** (Continued)

Movement in loss allowance for trade receivables are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
At 1 January	**–**	–	**–**	–
Loss allowance recognised during the year	**42,542**	–	**–**	–
Exchange differences	**(556)**			
At 31 December	**41,986**	–	**–**	–

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
United States dollar	**2,715,668**	4,474,058	**8,844,545**	13,944,881
Vietnamese dong	**668,074**	240,631	**–**	–
Chinese renminbi	**457,975**	2,002,356	**–**	–
Malaysian ringgit	**225,512**	26,717	**–**	592,021
Singapore dollar	**22,297**	129,136	**14,880**	125,239
	4,089,526	6,872,898	**8,859,425**	14,662,141

12. **Cash and bank balances**

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Cash and bank balances	**12,848,879**	5,638,586	**3,655,630**	1,995,556
Fixed deposits	**6,693,220**	1,191,814	**5,297,022**	1,000,000
Cash and bank balances on statements of financial position	**19,542,099**	6,830,400	**8,952,652**	2,995,556
Fixed deposits pledged	**(196,198)**	(191,814)		
Cash and cash equivalents included in consolidated statement of cash flows	**19,345,901**	6,638,586		

The Group's and the Company's fixed deposits bear interest of 0.50% to 3.35% and 1.54% to 2.40% (2018: 2.80% to 3.10% and 2.80%) respectively per annum and for a tenure of approximately 1 to 12 months and 1 to 6 months (2018: 2 to 12 months and 2 months) respectively.

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12. **Cash and bank balances** (Continued)

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
United States dollar	**11,197,283**	5,654,770	**8,586,529**	2,881,427
Chinese renminbi	**6,823,229**	212,317	**1**	1
Malaysian ringgit	**605,515**	423,806	**46**	46
Singapore dollar	**550,674**	372,436	**354,063**	110,106
Vietnamese dong	**353,385**	163,095	**–**	–
Euro	**11,794**	3,757	**11,794**	3,757
Others	**219**	219	**219**	219
	19,542,099	6,830,400	**8,952,652**	2,995,556

13. **Discontinued operation and non-current assets held for sale**

The Group received a relocation notice on 17 December 2018 from Suzhou Wuzhong District Government that its China subsidiaries in Suzhou will have to be relocated in accordance with planning adjustments of Wuzhong District in Suzhou.

Subsequent to the relocation notice, the China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the "Compensation Agreements") with the Chengnan Street Office of Wuzhong district, Suzhou (the "Chengnan office") on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office's compulsory acquisition of the China subsidiaries' properties (the "Acquisition").

The China subsidiaries shall vacate the premises before completion of the Acquisition by 10 November 2020.

The China subsidiaries' assets subjected to the Acquisition were classified as non-current assets held for sale on the consolidated statement of financial position and the results from the China subsidiaries were presented separately on the consolidated statement of comprehensive income as "Profit from discontinued operations". The operations were part of the Group's resin compounding segment.

The proceeds from compensation by the Chengnan Office are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised on the classification of these non-current assets as held for sale.

NOTES TO THE FINANCIAL STATEMENTS
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13. Discontinued operation and non-current assets held for sale (Continued)

The results of the discontinued operations are as follows:

	Group	
	2019	**2018**
	US$	**US$**
Revenue (Note 20)	**8,413,735**	16,648,317
Cost of sales	**(7,414,030)**	(15,205,783)
Gross profit	**999,705**	1,442,534
Other income (Note 21)	**2,047,632**	428,927
Distribution expenses	**(206,274)**	(337,047)
Administrative expenses	**(710,083)**	(741,801)
Other operating expenses	**(1,654,023)**	(173,749)
Loss allowance on trade receivables (Note 11)	**(42,542)**	–
Finance income (Note 22)	**6,247**	1,809
Finance costs (Note 22)	**(16,841)**	(31,981)
Profit before tax from discontinued operations (Note 23)	**423,821**	588,692
Income tax benefit/(expense) (Note 24)	**6,832**	(136,759)
Profit for the financial year from discontinued operations	**430,653**	451,933

The cash flows of the discontinued operations included in the consolidated statement of cash flows are set out below:

	Group	
	2019	**2018**
	US$	**US$**
Operating cash inflows	**5,726,483**	2,093,283
Investing cash inflows/(outflows)	**5,171,194**	(83,348)
Total cash inflows	**10,897,677**	2,009,935

The classes of assets classified as non-current assets held for sale as at 31 December 2019 were as follows:

	Group
	2019
	US$
Transfer from property, plant and equipment (Note 4)	**1,764,190**
Exchange difference	**(18,750)**
Balance at 31 December representing total assets classified as non-current assets held for sale	**1,745,440**

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14. Share capital

	Group and Company			
	2019	2018	2019	2018
	Number of shares		US$	US$
Issued and fully-paid:				
Balance at beginning and end of financial year	**209,971,310**	209,971,310	**18,822,247**	18,822,247

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

15. Reserves

Foreign exchange reserve

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

Statutory reserve

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

Share-based payment reserve

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. Lease liabilities/Finance lease liabilities

	Group 2019 US$
At 1 January 2019	
– Finance lease liabilities under SFRS(I) 1-17	**27,359**
– Adoption of SFRS(I) 16 (Note 2.1)	**62,363**
	89,722
Additions (Note 5)	**103,676**
Interest expense (Note 22)	**3,940**
Lease payments	
– Principal portion	**(40,857)**
– Interest portion	**(3,940)**
Exchange differences	**3,595**
At 31 December 2019	**156,136**

The maturity of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019 US$	**2018 US$**
Contractual undiscounted cash flows		
– Not later than a year	**52,675**	13,406
– Later than one year but not later than five years	**90,486**	14,760
– More than five years	**31,445**	–
	174,606	28,166
Less: Future interest expense	**(18,470)**	(807)
Present value of lease liabilities	**156,136**	27,359
Presented in consolidated statement of financial position:		
Non-current	**105,951**	14,523
Current	**50,185**	12,836
	156,136	27,359

The Group leases leasehold premises, equipment and motor vehicles with only fixed payments over the lease terms. Certain lease of equipment contains a purchase option. The Group has included this option in determining the lease liability as it is reasonably certain that the option will be exercised.

The Group also leases certain staff accommodation on the short-term basis (i.e. less than 12 months). The election of short-term leases exemption is made on lease-by-lease basis.

As at 31 December 2019, the weighted average incremental borrowing rate applied in the leases was 4.76%. As at 31 December 2018, the Group leases a motor vehicle under finance lease and the average discount rate implicit in finance lease was 5.42%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. Lease liabilities/Finance lease liabilities (Continued)

The currency profiles of the Group's lease liabilities at each reporting date are as follows:

	Group	
	2019 US$	**2018 US$**
Singapore dollar	**128,160**	27,359
Vietnamese dong	**23,241**	–
Malaysian ringgit	**4,735**	–
	156,136	27,359

17. Trade and other payables

	Group		Company	
	2019 US$	**2018 US$**	**2019 US$**	**2018 US$**
Trade payables				
– third parties	**1,084,232**	1,342,674	**912,579**	1,182,066
Bills payable	**254,810**	582,540	**254,810**	582,540
Other payables				
– third parties	**405,028**	352,418	**13,103**	3,820
– a subsidiary	**–**	–	**127,218**	–
Goods and services tax payable	**34,866**	19,731	**–**	–
Advances from customers	**9,312**	14,637	**–**	–
Accrued operating expenses	**887,532**	1,142,068	**268,408**	337,064
Total trade and other payables	**2,675,780**	3,454,068	**1,576,118**	2,105,490
Add/(Less):				
Goods and services tax payable	**(34,866)**	(19,731)	**–**	–
Advances from customers	**(9,312)**	(14,637)	**–**	–
Unutilised leaves	**(18,634)**	(18,539)	**(2,896)**	(7,120)
Reinstatement cost	**(5,659)**	(5,659)	**–**	–
Lease liabilities (Note 16)	**156,136**	27,359	**–**	–
Financial liabilities at amortised cost	**2,763,445**	3,422,861	**1,573,222**	2,098,370

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

As at 31 December 2019, the non-trade amount due to a subsidiary was unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Trade and other payables (Continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
United States dollar	**1,202,125**	1,782,793	**1,294,607**	1,764,606
Singapore dollar	**545,903**	717,746	**281,511**	340,884
Malaysian ringgit	**503,254**	313,986	**–**	–
Chinese renminbi	**257,474**	504,920	**–**	–
Vietnamese dong	**142,451**	134,623	**–**	–
Euro	**24,573**	–	**–**	–
	2,675,780	3,454,068	**1,576,118**	2,105,490

18. Compensation received in advance

Following the signing of the Compensation Agreements (Note 13), the Group received partial compensation of US$5,927,343 and US$848,332 and recognised compensation income of US$810,525 and US$848,332 (totalling US$1,658,857) (Note 21) in relation to the compensation agreements and supplementary agreements respectively during the financial year ended 31 December 2019.

Details of compensation are as follows:

	Main agreements US$	**Supplementary agreements US$**	**Total US$**
Group			
Compensation received	5,927,343	848,332	6,775,675
Compensation income (Note 21)			
– losses on suspension of business	(810,525)	–	(810,525)
– related expenses (employees' compensation)	–	(848,332)	(848,332)
	(810,525)	(848,332)	(1,658,857)
Compensation received in advance	5,116,818	–	5,116,818
Exchange difference	(29,704)	–	(29,704)
Compensation received in advance as at 31 December 2019	5,087,114	–	5,087,114

As at 31 December 2019, compensation received in advance amounting to US$5,087,114 relates to compensation of the Group's non-current assets held for sale as disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. Provisions

	Group Provision for termination benefits US$
Balance at 1 January 2018 and 31 December 2018	–
Provision made (Note 23)	1,184,618
Provision utilised	(1,010,999)
Exchange difference	(2,035)
Balance at 31 December 2019	**171,584**

The provision for termination benefits are the estimated amount payable in relation to the retrenchment of the China subsidiaries' employees arising from the cessation of the China subsidiaries' operation.

20. Revenue

Disaggregation of revenue

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

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 30 to the financial statements.

	Group					
	Continuing operations		Discontinued operations		Total	
	2019 US$	2018 US$	2019 US$	2018 US$	2019 US$	2018 US$
Resin compounding						
– sale of goods	**6,197,168**	5,050,554	**8,088,183**	15,967,178	**14,285,351**	21,017,732
– toll compounding services	**1,419,828**	1,588,491	**325,552**	681,139	**1,745,380**	2,269,630
	7,616,996	6,639,045	**8,413,735**	16,648,317	**16,030,731**	23,287,362
Polyethylene packaging						
– sale of goods	**19,826,406**	17,529,363	**–**	–	**19,826,406**	17,529,363
	27,443,402	24,168,408	**8,413,735**	16,648,317	**35,857,137**	40,816,725

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. **Revenue** (Continued)

Disaggregation of revenue (Continued)

Remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied performance obligations as at 31 December 2019 was US$9,312 (2018: US$14,637) and disclosed as advances from customers in Note 17 to the financial statements. The Group expects to recognise this in full within the next 12 months.

21. Other income

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2019 US$	**2018 US$**	**2019 US$**	**2018 US$**	**2019 US$**	**2018 US$**
Compensation income (Note 18)	**–**	–	**1,658,857**	–	**1,658,857**	–
Rental income	**–**	–	**188,309**	242,210	**188,309**	242,210
Gain on disposal of property, plant and equipment	**51,068**	2	**6,722**	1,050	**57,790**	1,052
Government grant	**24,448**	3,424	**27,069**	–	**51,517**	3,424
Scrap income	**38,560**	60,085	**166,632**	182,527	**205,192**	242,612
Others	**3,156**	2,080	**43**	3,140	**3,199**	5,220
	117,232	65,591	**2,047,632**	428,927	**2,164,864**	494,518

22. Finance income/costs

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2019 US$	**2018 US$**	**2019 US$**	**2018 US$**	**2019 US$**	**2018 US$**
Finance income:						
Interest income on bank deposits	**101,552**	25,211	**6,247**	1,809	**107,799**	27,020
Finance costs:						
Interest expenses on short-term revolving credit facilities	**–**	(4,485)	**–**	–	**–**	(4,485)
Interest expenses on trust receipts	**–**	(81,349)	**–**	–	**–**	(81,349)
Interest expenses on lease liabilities	**(3,940)**	(1,990)	**–**	–	**(3,940)**	(1,990)
Foreign exchange loss, net	**(18,662)**	(52,989)	**(16,841)**	(31,981)	**(35,503)**	(84,970)
	(22,602)	(140,813)	**(16,841)**	(31,981)	**(39,443)**	(172,794)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Profit before tax

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

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Cost of sales						
Depreciation of property, plant and equipment (Note 4)	**1,198,622**	1,073,188	**36,884**	–	**1,235,506**	1,073,188
Operating lease expense	**–**	6,227	**–**	–	**–**	6,227
Amortisation of prepaid land lease payments (Note 6)	**–**	24,530	**–**	8,543	**–**	33,073
Lease expense (Note 5(c))	**4,089**	–	**–**	–	**4,089**	–
Cost of inventories	**17,762,636**	16,521,178	**6,782,929**	14,213,654	**24,545,565**	30,734,832
Distribution expenses						
Depreciation of property, plant and equipment (Note 4)	**2,216**	1,879	**2,089**	2,929	**4,305**	4,808
Freight and handling	**225,368**	187,534	**99,013**	109,010	**324,381**	296,544
Commission expenses	**7,383**	7,516	**59,587**	95,289	**66,970**	102,805

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. **Profit before tax** (Continued)

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Administrative expenses						
Audit fees						
– auditors of the Company	**54,969**	55,698	**–**	–	**54,969**	55,698
– other auditors	**33,624**	30,335	**2,843**	4,496	**36,467**	34,831
Non-audit fees						
– auditors of the Company	**14,656**	7,426	**–**	–	**14,656**	7,426
– other auditors	**19,675**	15,490	**–**	–	**19,675**	15,490
Depreciation of property, plant and equipment (Note 4)	**162,597**	147,718	**35,851**	48,232	**198,448**	195,950
Operating lease expense	**–**	18,792	**–**	–	**–**	18,792
Amortisation of intangible assets (Note 7)	**68**	3,508	**–**	–	**68**	3,508
Amortisation of prepaid land lease payments (Note 6)	**–**	6,134	**–**	–	**–**	6,134
Listing expenses	**33,593**	40,080	**–**	–	**33,593**	40,080
Repair and maintenance expenses	**24,246**	16,388	**7,925**	–	**32,171**	16,388
Travelling expenses	**52,066**	46,405	**36,161**	–	**88,227**	46,405
Other operating expenses						
Depreciation of property, plant and equipment (Note 4)	**–**	–	**67,868**	81,058	**67,868**	81,058
Inventory written down	**–**	–	**114,810**	–	**114,810**	–
Loss on disposal of property, plant and equipment	**–**	–	**9,531**	–	**9,531**	–
Property, plant and equipment written off	**20**	183	**402**	5,185	**422**	5,368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Profit before tax (Continued)

Profit before tax also includes:

	Group					
	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US$	US$	US$	US$	US$	US$
Employee benefits expenses						
– salaries, bonuses and other benefits	**2,600,292**	2,612,837	**694,039**	938,166	**3,294,331**	3,551,003
– contributions to the defined contribution plan	**230,096**	184,676	**17,583**	378,680	**247,679**	563,356
– termination benefits (Note 19)	**–**	–	**1,184,618**	–	**1,184,618**	–
	2,830,388	2,797,513	**1,896,240**	1,316,846	**4,726,628**	4,114,359

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

	Group					
	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US$	US$	US$	US$	US$	US$
Cost of sales	**1,023,883**	1,015,133	**362,489**	790,781	**1,386,372**	1,805,914
Distribution of expenses*	**677,207**	586,300	**26,984**	81,718	**704,191**	668,018
Administrative expenses*	**1,129,298**	1,196,080	**322,149**	444,347	**1,451,447**	1,640,427
Other operating expenses	**–**	–	**1,184,618**	–	**1,184,618**	–
	2,830,388	2,797,513	**1,896,240**	1,316,846	**4,726,628**	4,114,359

* The above includes the remuneration of Directors and other key management personnel as shown in Note 29 to the financial statements.

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24. Income tax expense

	Group	
	2019	**2018**
	US$	**US$**
From continuing operations		
Current income tax		
– withholding tax expense	**57,075**	–
– current financial year	**712,285**	309,441
– under/(over) provision in prior financial years	**116,071**	(23,205)
	885,431	286,236
Deferred tax		
– current financial year	**23,157**	62,920
– overprovision in prior financial years	**(15,256)**	–
	7,901	62,920
Income tax expense from continuing operations	**893,332**	349,156
From discontinued operations		
Current income tax		
– current financial year	**7,544**	132,039
– underprovision in prior financial years	**1,653**	–
	9,197	132,039
Deferred tax		
– current financial year	**(16,029)**	4,720
Income tax (benefit)/expense from discontinued operations (Note 13)	**(6,832)**	136,759
Total income tax expense recognised in profit or loss	**886,500**	485,915

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
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24. Income tax expense (Continued)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before tax as a result of the following differences:

	Group	
	2019	**2018**
	US$	**US$**
Profit before tax from		
– continuing operations	**3,337,206**	1,284,047
– discontinued operations (Note 13)	**423,821**	588,692
	3,761,027	1,872,739
Tax calculated at Singapore income tax rate	**639,375**	318,366
Effect of different tax rates of overseas operations	**78,254**	114,419
Tax effect of income not subject to tax	**(9,150)**	(887)
Tax effect of non-deductible expenses for income tax purpose	**134,515**	107,768
Tax effect of tax rebates and exemption	**(109,947)**	(53,168)
Withholding tax expense	**57,075**	–
Utilisation of deferred tax assets previously not recognised	**(3,050)**	–
Deferred tax assets not recognised	**–**	15,250
Under/(over) provision in prior financial years	**102,468**	(23,205)
Others	**(3,040)**	7,372
Total income tax expense	**886,500**	485,915

25. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2019	**2018**
Profit after tax from continuing operations attributable to owners of the parent (US$)	**2,443,874**	934,891
Profit after tax from discontinued operations attributable to owners of the parent (US$) (Note 13)	**430,653**	451,933
Total profit	**2,874,527**	1,386,824
Weighted average of ordinary shares in issue during the reporting period applicable to basic earnings per share	**209,971,310**	209,971,310
Basic and diluted earnings per share (cents)		
– Continuing operations	**1.16**	0.45
– Discontinued operations	**0.21**	0.21
	1.37	0.66

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

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26. Dividends

	Group and Company	
	2019	**2018**
	US$	**US$**
Final tax-exempt dividend declared and paid of 0.50 Singapore cents (2018: 1.50 Singapore cents) per share in respect of the previous financial year	**770,933**	2,378,649

The Board of Directors proposed that a final dividend of 1.00 Singapore cents per ordinary share amounting to approximately US$1,559,000 to be paid for the financial year ended 31 December 2019. The dividend has not been recognised as a liability as at 31 December 2019 as it is subject to the approval of the shareholders at the Annual General Meeting.

27. Operating lease commitments

The Group as lessee

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of office premises and office equipment are as follows:

	Group
	2018
	US$
Not later than one year	26,781
Later than one year but not later than five years	40,394
	67,175

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

28. Capital commitments

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

	Group	
	2019	**2018**
	US$	**US$**
Capital expenditure contracted but not provided for		
– Property, plant and equipment in Malaysia	**65,478**	–

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29. Significant related party transactions

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

	Company	
	2019	**2018**
	US$	**US$**
With subsidiaries		
Sale of goods	**18,382,752**	23,718,222
Dividend income	**1,086,566**	3,000,000

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

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

	Group	
	2019	**2018**
	US$	**US$**
Directors of the Company		
– short-term benefits	**868,553**	726,635
– post-employment benefits	**16,424**	21,010
– directors' fees	**164,896**	166,890
Other key management personnel		
– short-term benefits	**545,478**	454,474
– post-employment benefits	**67,160**	52,437
– termination benefit	**22,584**	–
	1,685,095	1,421,446

30. Segment information

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

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

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30. Segment information (Continued)

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

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

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

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

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

Business segment	Continuing operations		Discontinued operations	
	Resin compounding US$	Polyethylene packaging US$	Resin compounding US$	Total US$
Group				
2019				
Revenue				
External revenue	**7,616,996**	**19,826,406**	**8,413,735**	**35,857,137**
Results				
Segment results	**1,004,036**	**2,235,558**	**58,145**	**3,297,739**
Inventories written down	**–**	**–**	**(114,810)**	**(114,810)**
Compensation income	**–**	**–**	**1,658,857**	**1,658,857**
Termination benefits	**–**	**–**	**(1,184,618)**	**(1,184,618)**
Interest income	**100,232**	**1,320**	**6,247**	**107,799**
Finance costs	**(1,866)**	**(2,074)**	**–**	**(3,940)**
Profit before tax	**1,102,402**	**2,234,804**	**423,821**	**3,761,027**
Income tax expense				**(886,500)**
Profit for the financial year				**2,874,527**
Non-cash items				
Depreciation of property, plant and equipment	**(338,829)**	**(1,024,606)**	**(142,692)**	**(1,506,127)**
Amortisation of intangible assets	**(68)**	**–**	**–**	**(68)**
Capital expenditure				
Property, plant and equipment*	**51,432**	**52,243**	**2,247**	**105,922**

* This exclude additions arising from lease arrangements.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Continued)

Business segment	**Continuing operations**		**Discontinued operations**	
	Resin compounding US$	**Polyethylene packaging US$**	**Resin compounding US$**	**Total US$**
Group				
2019				
Assets and liabilities				
Segment assets	**20,951,482**	**11,978,942**	**11,653,063**	**44,583,487**
Segment liabilities	**2,565,050**	**1,693,868**	**5,517,719**	**9,776,637**
Group				
2018				
Revenue				
External revenue	6,639,045	17,529,363	16,648,317	40,816,725
Results				
Segment results	524,483	822,177	586,883	1,933,543
Interest income	23,396	1,815	1,809	27,020
Finance costs	(85,834)	(1,990)	–	(87,824)
Profit before tax	462,045	822,002	588,692	1,872,739
Income tax expense				(485,915)
Profit for the financial year				1,386,824
Non-cash items				
Depreciation of property, plant and equipment	(201,642)	(1,021,143)	(132,219)	(1,355,004)
Amortisation of prepaid land lease payments	(30,664)	–	(8,543)	(39,207)
Amortisation of intangible assets	(3,508)	–	–	(3,508)
Capital expenditure				
Property, plant and equipment	406,919	87,812	93,457	588,188
Assets and liabilities				
Segment assets	12,524,868	14,710,525	10,100,254	37,335,647
Segment liabilities	2,668,164	1,346,077	579,572	4,593,813

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Segment information (Continued)

Geographical information

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

Segments	Resin compounding		Polyethylene packaging		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Continuing operations:						
Primary geographical markets						
Singapore	**1,084,786**	1,688,777	**16,046,976**	15,081,467	**17,131,762**	16,770,244
Malaysia	**1,548,395**	2,391,047	**497,835**	138,204	**2,046,230**	2,529,251
Vietnam	**4,698,168**	2,315,228	**2,191,744**	1,720,707	**6,889,912**	4,035,935
Indonesia	**–**	–	**1,089,851**	588,985	**1,089,851**	588,985
Others	**285,647**	243,993	**–**	–	**285,647**	243,993
	7,616,996	6,639,045	**19,826,406**	17,529,363	**27,443,402**	24,168,408
Discontinued operations:						
Primary geographical markets						
People's Republic of China	**8,413,735**	16,648,317	**–**	–	**8,413,735**	16,648,317
	16,030,731	23,287,362	**19,826,406**	17,529,363	**35,857,137**	40,816,725

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

	2019	**2018**
	US$	**US$**
Non-current assets		
Continuing operations:		
Singapore	**155,670**	129,722
Malaysia	**9,751,851**	10,664,399
Vietnam	**3,064,293**	3,272,264
Discontinued operations:		
People's Republic of China	**176,092**	2,149,318
	13,147,906	16,215,703

Major customers

Revenue from two customers (2018: two customers) of the Group's polyethylene packaging segment represents approximately US$13,361,385 or 37% (2018: US$12,911,645 or 32%) of the Group's total revenue. There is no customer whose revenue from the Group's resin compounding segment that represents more than 10% of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks

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

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

Risk management framework

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

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

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

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

At each reporting date, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statements of financial position except for the financial guarantees provided by the Group and the Company in respect of bank guarantees issued by the banks as disclosed below.

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

The Group has significant credit exposures arising from the trade receivables due from 9 (2018: 9) major customers representing 70% (2018: 56%) of total trade receivables as at 31 December 2019.

The Company has significant credit exposures arising from the trade and non-trade amounts due from subsidiaries amounting to US$8,059,345 (2018: US$9,845,228) and US$508,026 (2018: US$4,807,765) respectively, representing 96% (2018: 99%) of total trade and other receivables as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Trade receivables

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Not past due	**2,804,993**	6,231,382	**3,758,079**	3,026,546
Past due 1 – 30 days	**363,014**	323,354	**545,446**	1,258,519
Past due 31 – 60 days	**27,259**	11,728	**82,650**	211,750
Past due 61 – 90 days	**–**	–	**321,130**	1,685,888
Past due more than 90 days	**–**	–	**3,352,040**	3,662,525
	3,195,266	6,566,464	**8,059,345**	9,845,228

Management measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables, excluding trade receivables determined to be credit-impaired, are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables at the reporting date. As at 31 December 2019, management determines the trade receivables are subject to immaterial credit loss except for trade receivables due from 2 customers in China amounting to US$41,986 (2018: US$Nil) which had lifetime expected credit losses of the full value of receivables. Movement in loss allowances for trade receivables is disclosed in Note 11 to the financial statements.

Management individually assessed and determined that the Company's trade receivables due from a subsidiary, HVP, amounting to US$4,042,120, of which US$3,352,040 was past due more than 90 days and is credit-impaired. Management evaluated the recovery options and credit loss scenarios based on reasonable and supportable information such as the available internal information on HVP's past, current and expected performance and cash flow position and determined the ECL to be insignificant.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. There is no trade receivable written off during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Non-trade receivables

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk for the non-trade receivables due from third parties (Note 11). In the assessment for indicators, management took into account information that it has available internally about these counterparties' historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions and if the entities had any default in external debts. Based on the assessment, management has determined that the credit risk for these assets has not increased significantly since their initial recognition, and accordingly, the non-trade amounts have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For non-trade amounts due from subsidiaries (Note 11), management has taken into account the available internal information on these subsidiaries' past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amounts due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets to repay their debts and subject to immaterial credit loss.

Cash and bank balances

Credit risk also arises from balances held with banks. The Group and the Company substantially placed its bank balances in 2 and 1 banks (2018: 2 and 1 banks) respectively which represent 72% and 96% (2018: 73% and 92%) respectively of the Group's and the Company's bank balances as at 31 December 2019.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any material credit losses from non-performance by these banks which are assigned with investment grade ratings of generally at least Baa3 by international credit-rating agencies.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to a bank for facilities utilised by a subsidiary of the Group in Malaysia (the "Malaysia subsidiary"). The Company jointly with another subsidiary in Singapore (the "Singapore subsidiary") provided financial guarantee to the bank for performance guarantees issued for the Malaysia subsidiary. The disclosed amount for the financial guarantee contracts (Note 31.3) which represents the maximum amount and of the earliest period for which the Company jointly with its Singapore subsidiary could be called upon by the bank to pay should the Malaysia subsidiary default on the repayments. For the financial guarantee issued, the Company has assessed that the Malaysia subsidiary has sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Financial instruments and financial risks (Continued)

31.2 Market risks

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

Foreign currency risk

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

The Group's significant currency exposure at each reporting date is as follows:

	Monetary assets		Monetary liabilities	
	2019	2018	2019	2018
	US$	US$	US$	US$
Chinese renminbi	**3,477,999**	598,561	**87,076**	140,457

At the end of each reporting period, the Company does not have significant amounts of monetary assets and liabilities denominated in currencies other than its functional currency. Accordingly, the Company is not exposed to significant foreign currency risk.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) change in Chinese renminbi against respective functional currencies of the entities within the Group. The sensitivity analysis assumes an instantaneous 10% (2018: 10%) change in the foreign currency exchange rates at each reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only financial items, which are denominated in the aforementioned currencies are included in the analysis. Consequentially, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease) Profit before tax	
	2019	2018
	US$	US$
Group		
Chinese renminbi		
Strengthens	**339,092**	45,810
Weakens	**(339,092)**	(45,810)

31. Financial instruments and financial risks (Continued)

31.2 Market risks (Continued)

Interest rate risk

As at reporting date, the Group does not have any significant exposure to interest rate risk. Its interest rate risk is primarily attributable to lease liabilities as shown in Note 16 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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

31.3 Liquidity risk

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

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

Contractual maturity analysis – non-derivative financial instruments

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

	Within one financial year or on demand US$	After one financial year but within five financial years US$	More than five financial years US$	Total US$
Group				
2019				
Financial liabilities				
Non-interest bearing				
– trade and other payables	**2,607,309**	**-**	**-**	**2,607,309**
Interest bearing				
– lease liabilities	**52,675**	**90,486**	**31,445**	**174,606**
	2,659,984	**90,486**	**31,445**	**2,781,915**

31. Financial instruments and financial risks (Continued)

31.3 Liquidity risk (Continued)

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

	Within one financial year or on demand US$	After one financial year but within five financial years US$	More than five financial years US$	Total US$
Group				
2018				
Financial liabilities				
Non-interest bearing				
– trade and other payables	3,395,502	–	–	3,395,502
Interest bearing				
– lease liabilities	13,406	14,760	–	28,166
	3,408,908	14,760	–	3,423,668

	Company On demand or within one year 2019 US$	2018 US$
Financial liabilities		
Non-interest bearing		
– trade and other payables	**1,573,222**	2,098,370
Financial guarantee contracts	**500,907**	–
	2,074,129	2,098,370

32. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder's value.

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

Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, management will balance their overall capital structure through the payment of dividends and new share issues as well as making repayment of the borrowings or obtain new borrowings. The Group's overall strategy remains unchanged from 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Capital management policies and objectives (Continued)

Subsidiaries of the Group established in the People's Republic of China are required to contribute and maintain a non-distributable statutory reserve fund as set out in the relevant regulations in the People's Republic of China and Note 15 to the financial statements.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements in relation to financial covenants on its banking facilities for the financial years ended 31 December 2019 and 31 December 2018.

33. Events subsequent to the reporting date

On 30 January 2020, the World Health Organisation announced that the novel Coronavirus ("Covid-19") Outbreak as a global health emergency. The Group had taken precautionary measures and implemented operational protocols in its operations globally since January 2020 in response to the growing concerns over the Covid-19 outbreak. All precautions are taken to ensure the safety and well-being of its operational employees.

On 16 March 2020, the Malaysian Government announced the implementation of a Movement Control Order ("MCO") nationwide from 18 to 31 March 2020 and subsequently extended to 14 April 2020 on 25 March 2020. The MCO will adversely affect the Group's production and delivery plans at HPM during the period. Nonetheless, the Company has informed its customers of this unforeseen circumstance and will update customers about feasible remedies and timing to resume the performance of its obligations once MCO ceases. As at the date of the financial statements, the Group expects such event to be temporary in nature and not to permanently affect the customers' business and ability to make repayment once normal operations resume. The Group is also of the view that this would not result in a significant change of credit quality of customers as each of the customers has a good repayment history. The Group is still in close contact with its customers and they have made repayments to the Group. The spread of Covid-19 is a non-adjusting event, which did not result in any adjustments to these financial statements.

34. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 27 March 2020.

SHAREHOLDERS' INFORMATION

AS AT 17 MARCH 2020

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 17 MARCH 2020

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	260	32.71	250,859	0.12
1,001 – 10,000	373	46.92	1,833,701	0.87
10,001 – 1,000,000	151	18.99	15,001,500	7.15
1,000,001 and above	11	1.38	192,885,250	91.86
	795	100.00	209,971,310	100.00

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 17 March 2020 are as follows:–

	No. of Ordinary shares			
Name	Direct Interest	%	Deemed Interest	%
Intraco Limited	62,800,000	29.91	23,845,000[1]	11.36
Yeo Hock Leng	27,839,496	13.26	–	–
Goh Seok Eng	20,760,684	9.89	–	–
Lee Low Meng	14,733,781	7.02	–	–
Syn Chung Wah/Quek Soh Mui Lucy	13,789,097	6.57	–	–
Chia Chue Soong/Tay Giok Siang	12,194,659	5.81	–	–
TH Investments Pte Ltd[2]	–	–	86,645,000	41.27
Tat Hong Investments Pte Ltd[2]	–	–	86,645,000	41.27
Chwee Cheng & Sons Pte Ltd[2]	–	–	86,645,000	41.27
Ng San Tiong[3]	–	–	86,645,000	41.27
Ng Sun Ho[3]	–	–	86,645,000	41.27
Ng San Wee[3]	–	–	86,645,000	41.27
Ng Sun Giam[3]	–	–	86,645,000	41.27
Amtrek Investment Pte Ltd[4]	–	–	86,645,000	41.27
Macondray Holdings Pte. Ltd.[4]	–	–	86,645,000	41.27
Asia Resource Corporation Pte Ltd[5]	–	–	86,645,000	41.27
Resource Pacific Holdings Pte Ltd[6]	–	–	86,645,000	41.27
Chew Leong Chee[7]	–	–	86,645,000	41.27
Melanie Chew Ng Fung Ning[8]	–	–	86,645,000	41.27

SHAREHOLDERS' INFORMATION

AS AT 17 MARCH 2020

Note 1 Deemed Interest held through CGS-CIMB Securities (Singapore) Pte Ltd.

Note 2 TH Investments Pte Ltd ("**THIPL**") owns 28.65% interest in INTRACO Limited ("**IL**"), which has an aggregate interest of 41.27% in the Company. THIPL is wholly owned by Tat Hong Investments Pte Ltd ("**Tat Hong IPL**"), which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd ("**CCSPL**").

Each of THIPL, Tat Hong IPL and CCSPL is therefore deemed, pursuant to Section 7 of the Companies Act, Cap. 50 ("**Act**"), to have an interest in all the shares held by IL in the Company.

Note 3 39.44% of the issued share capital of CCSPL is owned by The Chwee Cheng Trust ("**CCT**") constituted under a trust deed. Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam are the joint trustees of CCT.

Pursuant to Section 7 of the Act, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam have a deemed interest in CCT's 39.50% shareholding interest in CCSPL and a direct interest in CCSPL.

Accordingly, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam has a deemed interest in 28.65% of the issued share capital of IL which are held by THIPL and are therefore also deemed to be interested in all the shares held by IL in the Company.

Note 4 Amtrek Investment Pte Ltd ("**AIPL**") owns 28.17% interest in IL, which in turn is wholly owned by Macondray Holdings Pte. Ltd. ("**MHPL**").

As a result, each of AIPL and MHPL is deemed to have an interest in all the shares held by IL in the Company.

Note 5 Asia Resource Corporation Pte Ltd ("**ARCPL**") owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 28.17% interest in IL. As a result, ARCPL is deemed to be interested in all the shares held by IL in the Company.

Note 6 Resource Pacific Holdings Pte Ltd ("**RPHPL**") owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 28.17% interest in IL. As a result, RPHPL is deemed to be interested in all the shares held by IL in the Company.

Note 7 Mr Chew Leong Chee ("**Mr Chew**") owns 25% direct interest and 30% indirect interest through his spouse, Dr Melanie Chew Ng Fung Ning ("**Dr Melanie Chew**"), in RPHPL. Mr Chew also owns 38.01% interest in ARCPL.

RPHPL owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 28.17% interest in IL. As a result, Mr Chew is deemed to be interested in all the shares held by IL in the Company.

Note 8 Dr Melanie Chew owns 30% direct interest in RPHPL. Dr Melanie Chew is also deemed to be interested in 25% and 38.01% interest in RPHPL and ARCPL respectively held by her spouse, Mr Chew.

RPHPL owns 42.72% interest in ARCPL. ARCPL owns 84.10% interest in MHPL. MHPL owns 100% interest in AIPL. AIPL owns 28.17% interest in IL. As a result, Dr Melanie Chew is deemed to be interested in all the shares held by IL in the Company.

SHAREHOLDERS' INFORMATION

AS AT 17 MARCH 2020

TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2020

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	INTRACO LIMITED	62,800,000	29.91
2	YEO HOCK LENG	27,839,496	13.26
3	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	23,871,000	11.37
4	GOH SEOK ENG	20,760,684	9.89
5	LEE LOW MENG	14,733,781	7.02
6	SYN CHUNG WAH OR QUEK SOH MUI LUCY MRS LUCY SYN	13,789,097	6.57
7	CHIA CHUE SOONG OR TAY GIOK SIANG	12,194,659	5.81
8	GOH SEOK KEE	6,846,200	3.26
9	GOH LUCY	4,001,800	1.91
10	HOE PUAY CHOO	3,906,533	1.86
11	MA FAT YING	2,142,000	1.02
12	GOH CHA BOH	908,000	0.43
13	LOW CHENG LUM	800,000	0.38
14	TAN SOON LIM	800,000	0.38
15	LAI WENG KAY	657,100	0.31
16	DBS NOMINEES PTE LTD	523,600	0.25
17	TAN NIANG SOR	505,000	0.24
18	ANG CHENG KIAT	500,000	0.24
19	LEE KOK PUN	500,000	0.24
20	CHIA SU HOONG JENNIFER @ TAY SU HOONG JENNIFER	457,000	0.22
		198,535,950	94.57

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

As at 17 March 2020, approximately 16.04% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company). The Company did not hold any treasury shares as at 17 March 2020.

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

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dynamic Colours Limited (the "Company") will be held at Sapphire Room 2 & 3, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Tuesday, 23 June 2020 at 10.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1.0 Singapore cents per ordinary share for the year ended 31 December 2019. **(Resolution 2)**

3. To re-elect Mdm Goh Seok Eng retiring pursuant to Regulation 106 of the Company's Constitution. [See Explanatory Note (i)] **(Resolution 3)**

4. To approve the payment of Directors' fees of S$225,000 for the year ending 31 December 2020, to be paid quarterly in arrears. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-appoint BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

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

[See Explanatory Note (iii)] **(Resolution 6)**

By Order of the Board

Chan Wan Mei
Company Secretary
Singapore, 15 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes

(i) Ordinary Resolution 3 is to re-elect Mdm Goh Seok Eng who will be retiring by rotation under Regulation 106 of the Constitution and if she is re-elected, she will remain as Executive Chairman. Mdm Goh is considered a Non-Independent Director. Key information on Mdm Goh is found on page 151 of the Annual Report.

(ii) Ordinary Resolution 4 is to seek approval for the payment of S$225,000 to all Non-Executive Directors as Directors' Fees for the financial year ending 31 December 2020 (FY2019: S$225,000). The exact amount of director's fees received by each Director for the financial year ended 31 December 2019 is disclosed in full in the Annual Report.

(iii) The Ordinary Resolution 6, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 6) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed ten per cent. (10%) of the total number of issued shares excluding treasury shares (as defined in Resolution 6) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898, not less than seventy-two (72) hours before the time for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Mdm Goh Seok Eng is the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 23 June 2020 ("AGM") (the "Retiring Director")

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

Date of Appointment	2 July 1993
Date of last re-appointment	23 April 2018
Age	57
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mdm Goh Seok Eng as the Executive Chairman is recommended by the Nominating Committee and the Board has accepted the recommendation after taking into consideration Mdm Goh's past experience and overall contribution since she was appointed.
Whether appointment is executive, and if so, the area of responsibility	Executive Area of Responsibility – Ensures that the strategies and policies agreed by the Board are effectively implemented by the CEO and Management. – Promotes and oversees the highest standards of corporate governance within the Board and the Company. – Lead the technical, sales and purchase departments of the Company.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman
Professional qualifications	Advanced Diploma in Polymer Technology
Working experience and occupation(s) during the past 10 years	Executive Director of Dynamic Colours Limited
Shareholding interest in the listed issuer and its subsidiaries	Mdm Goh Seok Eng holds 20,760,684 shares, which represents 9.89% of the issued and paid-up share capital of the Company as at 17 March 2020. Mdm Goh is also deemed to be interested in the shares held by his husband, Mr Yeo Hock Leng's (27,839,496 shares, representing 13.26% of the issued and paid-up share capital of the Company).
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes Yeo Hock Leng – spouse
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Yes Nil Director of Hundred Vision Equity Sdn. Bhd.

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
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	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable

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DYNAMIC COLOURS LIMITED

Company Registration Number 199304233Z

(Incorporated in the Republic of Singapore)

IMPORTANT

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

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2020.

PROXY FORM

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

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing * him/her/them, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Sapphire Room 2 & 3, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Tuesday, 23 June 2020 at 10.30 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	No. of Votes For	No. of Votes Against	Abstain
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2.	Payment of final dividend			
3.	Re-election of Mdm Goh Seok Eng			
4.	Payment of Directors' fees of S$225,000 for the year ending 31 December 2020, to be paid quarterly in arrears			
5.	Re-appointment of BDO LLP as Auditors			
6.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50			

Dated this ________ day of ________________ 2020

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

____

Signature(s) of Member(s)

or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead.

2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

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

5 A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

6 The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898, not less than seventy-two (72) hours before the time set for the Meeting.

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

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

9 An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

GENERAL:

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

DYNAMIC COLOURS

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