Matex

Matex International Limited
万得国际有限公司

LIVING THE CULTURE OF COLOUR

ECO-FRIENDLY • NATURAL • BIODEGRADABLE

ANNUAL REPORT 2018

CONTENTS

This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr John Chen Seow Phun
Non-Executive Chairman and
Independent Director

Dr Tan Pang Kee
CEO / Managing Director

Mr Foo Der Rong
Independent Director

Mr Wang Dao Fu
Independent Director

Mr Tan Guan Liang
(Chen Guanliang)
Executive Director

COMPANY SECRETARIES

Mr Chew Kok Liang
Ms Lissa Siau

SHARE REGISTRAR

RHT Corporate Advisory
Private Limited
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

REGISTERED AND BUSINESS OFFICE

47 Ayer Rajah Crescent #05-10
Singapore 139947
Tel: (65) 6861 0028
Fax: (65) 6861 0128
Website: www.matex.com.sg

AUDITORS

Ernst & Young LLP
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Mr Yong Kok Keong
(Appointed since FY2017)

PRINCIPAL BANKERS

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

Citibank N.A.
8 Marina View
#17-01 Asia Square Tower 1
Singapore 018960

Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre
Tower 1, Level 29
Singapore 018981

CORPORATE PROFILE

Established in September 1989 and listed on Singapore Exchange since February 2004, Matex International limited is a leading manufacturer, supplier and marketer of quality dyestuffs and specialty chemicals, colour measurement and computer aided systems to various global markets such as textile, paper, leather, detergent and polymers industry. As part of its blueprint, it aims to be a world-class integrated service provider in **CLEAN COLOUR SCIENCE TECHNOLOGIES** the **WORLD** seeks, with our Center of Excellence in Singapore for **PEOPLE, INNOVATIONS, PRODUCTS, SERVICES, TECHNOLOGIES** and **SOLUTIONS** to our Markets.

Dedicated to serve, Matex has established a network of well-trained sales and marketing professionals with a strong presence in China to support its wide base of global customers. We are widely recognized for our strength in providing excellent technical support services in order to satisfy our customers' ever changing needs. Across the years we have been awarded with numerous accolades for our efforts. Matex had been constantly ranked as one of China's top chemical companies and of recent we were recognized as Singapore Specialty Chemicals Company of the Year for our contributions.

Matex makes a concerted effort to integrate environmental and social concerns into business operations, ensuring a balanced and sustainable development of our businesses. Our world famous Megafix® reactive dye series is a testimonial of our ability to constantly develop unique, innovative products and services by combining the latest technologies through continuous research and development, with our intimate knowledge and business experience. We strive to add value to our customers' products, for higher quality, better performance, price competitiveness and eco-friendliness to achieve long term 'win-win' strategic partnerships.

OUR VISION

To be a world-class integrated service provider in clean colour science technologies the world seeks, with our center of excellence in Singapore for people, innovations, products, services, technologies and solutions to our markets.

OUR MISSION

To meet to excel as a global competent solutions provider with pools of innovative talents ready to explore business opportunities and to deliver credible and sustainable business growth.

OUR VALUES

We are customer-focused for full satisfaction and
we aim to be on-target to the right needs,
provide on time delivery on-demand for the highest
and consistent quality at affordable prices.

OUR PROMISE

To meet the needs of our customers we value add through
competitive and innovative viable solutions.
The needs of our employees – with our corporate values.

The needs of our stakeholders – with healthy returns.
And the needs of our environment – by being sustainable.

GROUP STRUCTURE

Matex
MIL
(Holding Co., Singapore)

- MHPL 100% (Singapore)
- DPL 100% (Singapore)
  - DTS 100% (China, SHANGHAI)
- USB 100% (Malaysia)
- DSB 100% (Malaysia)
- ACL 100% (China, TAIXING)
- MTL 100% (China, SHANGHAI)
- MCT 60% (China, TAIXING)
- SMC 60% (China, SHANGHAI)

Matex Chemicals (Taixing) Co., Ltd

Amly Chemicals Co., Ltd

Shanghai Matex Chemicals Co., Ltd

Unimatex Sdn Bhd.

MIL - Matex International Limited
(万得国际有限公司)

MHPL - Matex Holdings Pte Ltd
(万得控股私人有限公司)

DPL - Dedot Pte Ltd
(帝得貿易私人有限公司)

USB - Unimatex Sdn Bhd
(全万得私人有限公司)

DSB - Dedot Sdn Bhd
(帝得貿易(马來西亚)私人有限公司)

ACL - Amly Chemicals Co., Ltd
(安力化学(泰兴)有限公司)

MTL - Matex Chemicals Technologies (Shanghai) Co., Ltd
(万得化工科技(上海)有限公司)

MCT - Matex Chemicals (Taixing) Co., Ltd
(万得化工(泰兴)有限公司)

SMC - Shanghai Matex Chemicals Co., Ltd
(上海万得化工有限公司)

DTS - Dedot Trading (Shanghai) Co., Ltd
(帝得貿易(上海)有限公司)

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2018: RESILIENCE

Wishing you all a very fruitful and blessed year ahead!

In 2018, Matex continued to strive hard for sustainable growth and balanced, profitable business.

Matex continued its efforts with **Megapro ECO**, a system which eliminates the need for salt in exhaust dyeing. This is an environmental revolution which Matex is working closely with its global strategic brands, partners and customers to implement quickly.

Matex's products are approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and limits on extractable heavy metal content.

The company continued to be a regular member partner at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers** ("**ETAD**"). It was founded in 1974 as an international organization of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information. It continued to chair the 2nd ChOC China Operating Committee of ETAD in Shanghai to align common goals for safety and environment. The committee will focus on local activities in contact with regulatory bodies and on all legislation developments affecting the colorant industry.

Matex became a **Bluesign® System Partner** committed to support Bluesign's vision to manage inputs and responsible actions. The Bluesign® system unites the entire textile supply chain to jointly reduce its impact on people and the environment.

In our efforts as a responsible global corporate citizen, we had continued to play our part to champion a growing diversity of programs and initiatives to give back to society as part of our ongoing CSR initiatives. Some of the highlights include:

(1) Matex worked with various **social enterprises** like WateROAM and start-up communities and companies on various projects ranging from developing suitable products to delivering to poverty and disaster struck areas and places, across to innovative solutions to treat and provide clean drinking water.

(2) The Group released its **2018 COP** (Communication on Progress Report) on the UN Global Compact Website. We are constantly on the lookout for better ways to reduce our impact on the environment by lowering carbon emissions and improving energy efficiencies in our daily operations.

(3) It continued to pledge its commitment to Fair Employment Practices under the framework of TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices) organized and endorsed by Ministry of Manpower of Singapore, NTUC (National Trade Union Congress) and SNEF (Singapore National Employers Federation).

4) It successfully organized for the **8th year** running the **SDC** (Society of Dyers and Colourists) Singapore heat. A country winner was chosen amongst local Textile and Fashion Schools to represent at the Grand Finals in London. The SDC is the world's leading independent, educational charity dedicated to advancing the science and technology of colour worldwide.

REVIEW OF OPERATIONAL RESULTS

REVENUE

The Group recorded a total revenue of S$43.3m for the full year ended 31 December 2018 ("FY2018"), a drop of S$7.3m or 14.3% in comparison to S$50.6m for the corresponding year ended 31 December 2017 ("FY2017"). The reduction in sales during the year was mainly attributable to the decline in our sales in PRC as a result of decline in production. Following the transformation of the fuel source at our Taixing plant, we have continued to upgrade the old equipment as well as automating part of our production facilities during the second half of the year.

GROSS PROFIT

Though there was a decline in revenue, the Group's FY2018 gross profit has increased by S$4.5m or 230.8% to S$6.4m (FY2017: S$1.9m), reflecting an improvement of gross margin from 3.8% in FY2017 to 14.7% in FY2018. This was the result of higher selling price achieved as compared to FY2017 and better control over the cost of production.

NET OPERATING EXPENSES

Net operating expenses have decreased by S$5.1m from S$16.0m in FY2017 to S$10.9m in FY2018. The decrease is the result of a decrease in general and administrative expenses and impairment losses on financial assets by S$2.3m or 21.0%, mainly due to decrease in

MESSAGE TO SHAREHOLDERS

impairment of trade receivable and the foreign exchange difference. The decrease in operating expenses is also due to the decrease in selling and distribution expenses by S$0.8m or 22.5%, which is mainly attributed to decrease in sales commission paid to sales agents. The significant decrease in other operating expenses of S$1.5m further reduced the net operating expenses. The decrease in other operating expenses is mainly due to the absence of loss incurred in respect to disposal of fixed assets, property, plant and equipment written off and cost incurred in segregation of wastewater from clean water in FY2017.

In addition to the mentioned reduction in expenses, the decrease in net operating expenses is also partly as a result of increase in other operating income of approximately S$0.5m. The operating income mainly consists of grants received from government.

NET FINANCIAL EXPENSE

The Group recorded a net financial expense of S$730k in FY2018, as compared to an amount of S$342k in FY2017. The increase in net financial expense is mainly due to decrease in financial income of approximately S$335k and slight increase in financial cost of S$53k. The reduction of financial income was attributable to the decline in interest income earned from lower amount of fixed deposit placed with banks, at a lower interest rate.

TAX

Taxation is in line with profits made by profitable subsidiaries in China and Malaysia. The reduction in tax amount incurred in FY2018 was due to lower profits generated for the year.

NET RESULTS

As a result of the above, the Group registered a loss before tax of S$5.3m for FY2018 as compared to loss before tax of S$14.4m for FY2017. The loss after tax attributable to equity holders of the Company is approximately S$3.7m in FY2018, as compared to the loss after tax of S$9.6m recorded in FY2017.

FINANCIAL POSITION

The Group's property, plant and equipment ("PPE") including land use rights are at S$14.5m and S$15.1m as at 31 December 2018 and 31 December 2017 respectively. The reduction in PPE was attributed to depreciation and amortisation of S$1.8m, partially offset by approximately S$2.0m incurred for capital expenditure, which was mainly incurred for upgrading the old machines and automating part of production facilities.

Long-term prepaid and deferred expenses has increased by S$0.4m. This is mainly due to additional purchase of accessories for laboratory use.

Inventories are at S$12.8m and S$11.7m as at 31 December 2018 and 31 December 2017 respectively. As the Group was expecting cost of raw materials to increase, more purchases were made towards end of FY 2018.

Current and non-current trade and notes receivables has decreased from S$18.9m for FY2017 to S$12.5m for FY2018, mainly due to the reduction in sales.

Other receivables has increased by S$1.1m in FY2018, mainly due to deposit placed for implementing E-Commerce System for the Group.

Advance to supplier has decreased by S$3.4m in FY2018, mainly due to lower amount of advanced payment made to trade suppliers during the year which was in line with the reduction in sales.

Cash and cash equivalents for the year decreased from S$11.6m as at 31 December 2017 to S$8.4m as at 31 December 2018. The decrease in cash was mainly due to cash outflow from the Group's operating, investing and financing activities.

Trade payables has decreased from S$7.2m as at 31 December 2017 to S$5.0m as at 31 December 2018. The decrease in trade payables was due to more cash purchases of raw materials made during the year.

Other payables and accruals has decreased from S$6.9m as at 31 December 2017 to S$5.1m as at 31 December 2018. The decrease in accruals was mainly due to an accrued medical fee paid off during the year, which was in relation to hospitalisation fee incurred for an injured worker.

Term loan has decreased from S$8.9m as at 31 December 2017 to S$8.2m as at 31 December 2018 which was mainly attributed to repayment of loan.

Overall, Group's equity as at 31 December 2018 was S$32.2m, a reduction of approximately of S$6.5m or 16.8% from the position as at 31 December 2017. This is mainly attributed to loss incurred during FY2018.

CASH FLOW POSITION

Net cash used in operating activities

In FY2018, approximately S$0.5m of net cash was used in operating activities, which was a result of operating loss before changes in working capital of S$2.4m, net working capital inflows of approximately S$2.6m and net interest expense of S$0.7m.

MESSAGE TO SHAREHOLDERS

Net cash used in investing activities

In FY2018, the Group's net cash outflow from investing activities amounted to approximately S$2.0m, which was mainly due to purchases of property, plant and equipment.

Net cash used in financing activities

In FY2018, the Group's net cash outflow from financing activities amounted to approximately S$2.0m. This is mainly due to increase in restricted cash of S$1.5m and loan repayment of S$0.5m.

FUTURE OUTLOOK

In the next 12 months we believe our industry will continue to face declining margins, product commoditization, rapidly expanding competition in developing countries, and customers demanding more at lower prices. We thus expect to see higher cost and lower gross profit margin in the short term.

We will continue to better utilize current production capacity and to lower the cost of acquiring key raw materials, which will require us to continue to forge closer and stronger relationships with our key customers and suppliers. At the same time, we will develop and sell higher valued products, which will give us better margin. Barring any unforeseen circumstances, we hope this will help to support the Group's performance in the short-term and offer better prospects for long-term growth within the Group.

WORDS OF APPRECIATION

The Board and us would like to take the opportunity to extend our heartfelt appreciation to our valued customers, business partners, associates and stakeholders. With your trust, support and confidence in Matex, we can continue to augment the Group for better sustainable growth and value creation.

We would also like to take the opportunity to thank all at Matex for your unwavering support and dedication to the company. We have only been able to achieve the important milestones in 2018 because of you, our committed team. Let's continue to forge ahead and scale greater heights in the coming year.

Yours sincerely,

Dr John Chen Seow Phun
Non-Executive Chairman

Dr Alex Tan Pang Kee
CEO/Managing Director

BOARD OF DIRECTORS

Dr JOHN CHEN SEOW PHUN
Non-Executive Chairman & Independent Director

Dr Chen has been our Chairman and Independent Director since 11 July 2003. He was a Member of Parliament ("MP") from September 1988 to May 2006. He was the Minister of State for Communications from March 1997 to June 1999. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen holds a Doctor of Philosophy ("Ph.D") degree in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991. In 1991, he became the Assistant Secretary General of the National Trades Union Congress (NTUC) until 1997. Dr Chen also served as the Deputy Chairman and Managing Director of the NTUC Healthcare Cooperative Ltd from 1992 to 1997. Dr Chen has served as a board member of the Economic Development Board (EDB), the Housing & Development Board (HDB), the then Port of Singapore Authority (PSA) and Singapore Power Ltd. He is presently the Executive Chairman of Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) and Chairman of SAC Capital Pte Ltd. He also sits on the board of several public listed companies as an independent director.

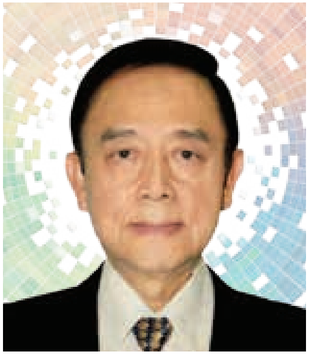
MR FOO DER RONG
Independent Director

Mr Foo was appointed as an Independent Director of the Company on 10 May 2016. Mr Foo holds a Bachelor of commerce from the then Nanyang University. Mr Foo is currently the Executive Director of Tian International Pte Ltd. He also sits on the Board of Pavillon Holdings Ltd, Noel Gifts International Ltd, SLB Development Ltd and Southern Lion Sdn Bhd. He has a wealth rich experience and knowledge in business development, corporate restructuring, investment strategies and operations management, in a wide range of industries. He was formally the Managing Director/Chief Executive Officer of Intraco Ltd from 2013 to 2015 and the Managing Director/ Chief Executive Officer of Hanwell Holdings Ltd from 2002 to 2012. Mr Foo was the former Vice Chairman and currently a Patron of Teck Ghee Community Club.

MR WANG DAO FU
Independent Director

Mr Wang Dao Fu is our Independent Director since 11 January 2017. He graduated with Bachelor of Law from Peking University in 1984. From August 1993 till May 2002, he had been working with many established Singapore law firms, as their Chinese Legal Counsel. Following that Mr Wang set up Shanghai Yuantai Law Offices in 2004 and is the firm's founding partner. He has more than 30 years of PRC legal practice experience in wide ranging areas of capital market, corporate finance and mergers & acquisition. Mr Wang currently serves as director of a few companies which include Proceq Trading (Shanghai) Co. Ltd (China), TH Straits 2015 Pte Ltd., SGD Investment Pte Ltd and MOBO Information Technology Pte Ltd

BOARD OF DIRECTORS



Dr TAN PANG KEE

Managing Director & Chief Executive Officer

Dr Tan founded our Company in September 1989 and was appointed as our Managing Director since early 1990. Dr Tan has more than 30 years of related experience and is instrumental in the development of our Company since its inception. He is in charge of formulating corporate strategies and management of our growth and development. He is also involved in developing new products and identifying new markets for our Group.

Dr Tan was once a member of Pro-Enterprise Panel with Ministry of Trade & Industry from 1 January 2016 to 31 December 2017 and has also served the Textile and Fashion Industry Training Center Academic and Examination Board for a term of 5 years from 1 November 2010 to 1 November 2015. He had also been appointed as the Chairman sat on IPI Industry Advisory Panel with IPI Ltd from 30 April 2014 to 31 May 2016, prior his current role as the member on IPS Steering Committee Board of IPI Ltd.

Dr Tan holds a Bachelor of Science degree in Chemistry from the University of London and obtained an honorary Ph. D in business administration from the Honolulu University, Hawaii, USA, in 2003. Between 1967 and 1989, Dr Tan was the Regional Technical Manager of the Sandoz Division of F.E. Zuellig (Trading) Pte Ltd (1976 to 1988). Technical Supervisor of Guthrie (M.S.) Pte Ltd (1973 to 1975) and a Chemical Analyst in the Malaysia Chemistry Department (1967 to 1972).

Mr TAN GUAN LIANG

Executive Director

Mr Tan was appointed as our Executive Director since 2010. He is responsible for the Group's business, projects that cater to branding of the company and product innovation and development. He helps out with the design, expansion and overseeing of the group's buildings and infrastructures. He is actively involved in the Group's diversification projects that aim to complement the Group's existing core businesses. He has also been appointed as Vice President of International Affairs at Textile and Fashion Federation Singapore a non-profit organisation, and an active member of its executive and management committee dedicated to help the Singapore textile and fashion industry and its members globalize. He is also appointed as Executive Council Member in the 7th Council of the China Dyestuff Industry Association. Prior to this he has worked with various architectural firms in Seoul, Korea and Singapore. He is an ACAD board member of the Textile and fashion training center TaFtc. Mr Tan graduated with a Masters in Architecture and Minor in Technopreneurship from the National University of Singapore in 2008; his research thesis focused on the global study and development of sustainable suburban communities.

KEY MANAGEMENT

Mr TAN PANG SIM

Director / General Manager of Unimatex Sdn Bhd

Mr Tan has been the General Manager of Unimatex Sdn Bhd (USB) since 2000. He is in charge of the management and development of corporate policies and procedures for USB. Mr Tan holds a diploma in commercial accounting from the Singapore Commercial Accounting Institute and is an Associate Financial Planner with the Financial Planner Association of Malaysia. Having started his career as an Accountant and Office Administrator in Pacific Food Product Sdn Bhd in 1971, Mr Tan has more than 30 years of experience in company administration and management as well as financial planning. Prior to joining us, he was the Financial Controller/Director of Macinda Sdn Bhd between 1989 and 2000.

MS SERINE YEO NGEN HUAY

Chief Financial Officer

Ms Serine Yeo joined the Group as Chief Financial Officer since February 2013. She has been put in- charge of finance, accounting, taxation and treasury of the Group. In addition to her financial focus, Ms Yeo is actively involved in line-of-business executive and operations management. She also assists the Executive Directors to oversee the financial planning, business development and the management of strategic business investments. Prior to joining the Company, Ms Yeo was the Financial Controller with one of the Multi-National Company. She has acquired vast amount of working experience working as Group Financial Controller with various private, local and overseas listed companies.

Ms Yeo holds a Bachelor Degree in Commerce, major in Accounting & Finance from The University of Southern Queensland, Australia and Diploma in Computer Studies from The National Centre for Information Technology of United Kingdom. She is a Fellow Certified Public Accountant with CPA, Australia. In addition, she is an Accredited Tax Practitioner (Income Tax & GST) with Singapore Institute of Accredited Tax Professionals.

FINANCIAL HIGHLIGHTS

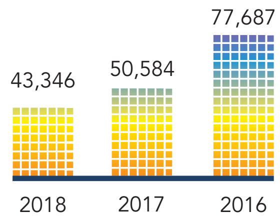
GROUP CONSOLIDATED STATEMENTS

	2018	2017	2016
Statement of Comprehensive Income ($'000)			
Revenue	**43,346**	50,584	77,687
Gross Profit	**6,381**	1,929	12,308
Net operating & financial expenses	**(11,656)**	(16,345)	(13,337)
Loss before tax	**(5,275)**	(14,416)	(1,029)
Income tax	**(246)**	(287)	(454)
Loss after tax	**(5,521)**	(14,703)	(1,483)
Attributable to:			
Owners of the company	**(3,721)**	(9,628)	(1,466)
Non-controlling interests	**(1,800)**	(5,075)	(17)
	(5,521)	(14,703)	(1,483)
Loss per share (cents)*	**(1.39)**	(3.60)	(0.55)
Balance Sheet ($'000)			
Property, plant and equipment	**13,809**	14,335	16,352
Other non-current assets	**1,915**	2,072	2,885
Current assets	**35,364**	46,079	57,145
Less: current liabilities	**(18,722)**	(23,592)	(22,654)
Net current assets	**16,642**	22,487	34,491
Non current liabilities	**(195)**	(234)	(39)
Net assets	**32,171**	38,660	53,689
Owners of the company	**23,634**	28,071	37,778
Non-controlling interests	**8,537**	10,589	15,911
Total equity	**32,171**	38,660	53,689
Net asset value per share (cents)**	**8.84**	10.50	14.13

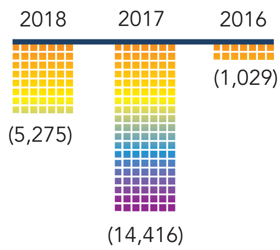
* Loss per share is calculated by dividing the loss attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2017/2016: 267,392,320/267,392,320) shares.

** The net asset value per share as at 31 December 2018 are computed based on 267,392,320 (2017/2016: 267,392,320/267,392,320) ordinary shares.

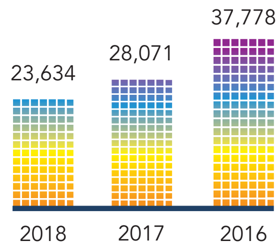
REVENUE ($'000)



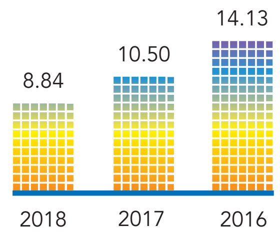
(LOSS) BEFORE TAX ($'000)



SHAREHOLDERS' EQUITY ($'000)



NET ASSET VALUE PER SHARE (CENTS)



FINANCIAL CONTENTS

DIRECTORS' **STATEMENT**

The directors hereby present their statement to the members together with the audited consolidated financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) 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.

DIRECTORS

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

Dr John Chen Seow Phun
Dr Tan Pang Kee
Mr Foo Der Rong
Mr Tan Guan Liang (Chen Guanliang)
Mr Wang Dao Fu

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' **STATEMENT**

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
Ordinary shares of the Company				
Dr John Chen Seow Phun	100,000	100,000	–	–
Dr Tan Pang Kee	58,343,000	58,343,000	–	–
Mr Tan Guan Liang (Chen Guanliang)	590,000	590,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the half yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

DIRECTORS' **STATEMENT**

AUDIT COMMITTEE (CONTINUED)

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Dr Tan Pang Kee
Director

Mr Tan Guan Liang (Chen Guanliang)
Director

Singapore
28 March 2019

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the 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 balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (the "SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

(a) Impairment of trade receivables

The gross balance of the Group's trade receivables as at 31 December 2018 is $14.9 million, against which an allowance for expected credit loss ("ECL") and impairment of $6.1 million was made. The collectability of trade receivables and related credit losses are key elements of the Group's working capital management, which is managed on an ongoing basis by local management of the respective subsidiaries.

The Group determines ECL and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking factors specific to the debtors and economic environment. As disclosed in Note 3 to the financial statements, these assessments involved significant management judgement and accordingly, we determined that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and reviewed ageing of receivables to identify collection and credit risks. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates, and reviewed data and information that management has used to make forward-looking adjustments. We have also assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, notably through analyses of ageing of receivables and consideration of their specific profiles and risks. The arithmetic accuracy of the ECL allowance computation was checked. We also considered the adequacy of the Group's disclosures of trade receivables, expected credit losses and the related credit risk exposures and management practices in Notes 15 and 32(a) to the financial statements.

(b) Allowance for slow-moving and obsolete inventories

The gross balance of the Group's inventories as at 31 December 2018 is $14.9 million, against which allowance for inventory obsolescence of $2.1 million was made. As disclosed in Note 3 to the financial statements, management has to exercise significant judgement to determine the amount of allowance for slow-moving and obsolete inventories by considering factors such as the condition and age of the inventories, future market demand, environmental regulations requirements and pricing competition. Accordingly, we determined that this is a key audit matter.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

(b) Allowance for slow-moving and obsolete inventories (Continued)

As part of our audit, we attended and observed management's inventory counts at selected inventory locations, including the identification of damaged, slow-moving, and obsolete inventories by management. We evaluated management's process in determining the allowance for inventory obsolescence, including the analysis of inventories ageing. We considered the adequacy of the Group's allowance for slow-moving and obsolete inventories by taking into account the carrying values of these inventories as compared to their estimated net realisable values, indicated by the actual and or expected selling prices of the inventories in the recent sales transactions or upcoming customer orders. We also considered the adequacy of the disclosures related to inventories in Note 14 to the financial statements.

(c) Impairment assessment of property, plant and equipment and land use rights

The carrying amount of the Group's property, plant and equipment, and land use rights as at 31 December 2018 are $13.8 million and $0.7 million, respectively. These assets are mainly attributable to the Group's textile dye production facilities in China, a cash generating unit ("CGU") that has been incurring losses since 2017. Management has performed an impairment assessment on this CGU and no impairment loss has been recorded based on their estimation of the recoverable amount. As disclosed in Note 3 to the financial statements, the estimation of the recoverable amount is based on the CGU's value in use and involves significant management judgement in determining the key assumptions and inputs for the CGU's forecasted future cash flows and the applicable discount rate. Accordingly, we determined that this is a key audit matter.

As part of our audit, we considered management's assessment of indicators of potential impairment to the CGU's assets, and the methodology used by management to estimate value in use. We evaluated management's forecasted future cash flows of the CGU that are based on future operating plans and industry information and developments relevant to the CGU. We compared forecasted future cash flows of the CGU with historical results and relevant industry information, and performed variance and sensitivity analyses on key assumptions such as revenue growth rates, profit margins and the discount rate. We assessed the discount rate by making reference to external observable data. We also considered the adequacy of the disclosures related to property, plant and equipment and land use rights in Note 9 and Note 10 respectively, to the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information

Management is responsible for 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), 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 the 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.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

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 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 Mr. Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2019

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**43,346**	50,584
Cost of sales		**(36,965)**	(48,655)
Gross profit		**6,381**	1,929
Other income		**497**	–
Selling and distribution expenses		**(2,611)**	(3,369)
Administrative expenses		**(7,989)**	(10,031)
Other operating expenses		**(62)**	(1,555)
Finance income	5	**102**	437
Finance expenses	5	**(832)**	(779)
Impairment losses on financial assets		**(761)**	(1,048)
Loss before taxation	7	**(5,275)**	(14,416)
Income tax expense	8	**(246)**	(287)
Loss for the year		**(5,521)**	(14,703)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		**(480)**	(326)
Other comprehensive income for the year, net of tax		**(480)**	(326)
Total comprehensive income for the year		**(6,001)**	(15,029)
Loss attributable to:			
Owners of the Company		**(3,721)**	(9,628)
Non-controlling interests		**(1,800)**	(5,075)
		(5,521)	(14,703)
Total comprehensive income attributable to:			
Owners of the Company		**(3,949)**	(9,707)
Non-controlling interests		**(2,052)**	(5,322)
		(6,001)	(15,029)
Loss per share (cents per share)			
– Basic and diluted	28	**1.39**	3.60

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE **SHEETS**

AS AT 31 DECEMBER 2018

	Note	Group		
		31.12.2018	31.12.2017	01.01.2017
		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	9	**13,809**	14,335	16,352
Land use rights	10	**713**	806	889
Intangible assets	11	**15**	14	43
Investment property	12	**–**	36	36
Long term prepaid and deferred expenses		**436**	28	28
Trade and notes receivables	15	**751**	1,188	1,889
		15,724	16,407	19,237
Current assets				
Inventories	14	**12,820**	11,657	17,810
Trade and notes receivables	15	**11,795**	17,717	28,792
Other receivables and deposits	16	**1,928**	868	1,247
Advances to suppliers		**378**	3,795	970
Prepayments		**64**	424	292
Fixed deposits	17	**1,536**	2,723	4,692
Cash and bank balances	17	**6,843**	8,895	3,342
		35,364	46,079	57,145
Total assets		**51,088**	62,486	76,382
Current liabilities				
Trade payables	18	**5,048**	7,215	6,132
Bill payables to banks	19	**127**	175	2,575
Other payables and accruals	20	**5,051**	6,914	7,823
Contract liabilities	4	**215**	93	73
Finance lease liabilities	21	**17**	15	22
Term loans	22	**8,248**	8,930	5,702
Tax payable		**16**	250	327
		18,722	23,592	22,654
Net current assets		**16,642**	22,487	34,491

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE **SHEETS**

AS AT 31 DECEMBER 2018

	Note	Group		
		31.12.2018	31.12.2017	01.01.2017
		$'000	$'000	$'000
Non-current liabilities				
Deferred tax liabilities	23	**142**	208	–
Finance lease liabilities	21	**53**	26	39
		195	234	39
Net assets		**32,171**	38,660	53,689
Equity				
Share capital	24	**23,406**	23,406	23,406
Capital reserve	25	**294**	294	294
Enterprise expansion reserve	26	**4,417**	4,369	4,369
General reserve	26	**4,417**	4,369	4,369
Translation reserve	27	**(307)**	(79)	–
(Accumulated losses)/retained earnings		**(8,593)**	(4,288)	5,340
		23,634	28,071	37,778
Non-controlling interests		**8,537**	10,589	15,911
Total equity		**32,171**	38,660	53,689

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note		Company	
		31.12.2018	31.12.2017	01.01.2017
		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	9	**156**	206	249
Intangible assets	11	**–**	–	4
Investment in subsidiaries	13	**13,055**	13,055	12,055
Trade receivables	15	**751**	1,188	1,889
		13,962	14,449	14,197
Current assets				
Inventories	14	**29**	33	80
Trade receivables	15	**1,890**	2,115	2,374
Other receivables and deposits	16	**2,380**	1,500	897
Prepayments		**23**	22	24
Fixed deposits	17	**–**	900	3,004
Cash and bank balances	17	**134**	237	234
		4,456	4,807	6,613
Total assets		**18,418**	19,256	20,810
Current liabilities				
Trade payables	18	**–**	5	–
Other payables and accruals	20	**515**	639	504
Finance lease liabilities	21	**–**	5	11
Term loans	22	**–**	–	500
		515	649	1,015
Net current assets		**3,941**	4,158	5,598
Non-current liabilities				
Finance lease liabilities	21	**–**	–	4
Net assets		**17,903**	18,607	19,791
Equity				
Share capital	24	**23,406**	23,406	23,406
Accumulated losses		**(5,503)**	(4,799)	(3,615)
Total equity		**17,903**	18,607	19,791

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

AS AT 31 DECEMBER 2018

Group	Share capital (Note 24) $'000	Capital reserve (Note 25) $'000	Enterprise expansion reserve (Note 26) $'000	General reserve (Note 26) $'000	Translation reserve (Note 27) $'000	(Accumulated losses)/ retained earnings $'000	Equity attributable to owners of the Company, total $'000	Non-controlling interests $'000	Equity, total $'000
	Attributable to equity holders of the Company								
Opening balance as at 1 January 2018 (FRS framework)	**23,406**	**294**	**4,369**	**4,369**	**(79)**	**(4,288)**	**28,071**	**10,589**	**38,660**
Effects upon adoption of SFRS(I) 9	**–**	**–**	**–**	**–**	**–**	**(488)**	**(488)**	**–**	**(488)**
Opening balance as at 1 January 2018 (SFRS(I) framework)	**23,406**	**294**	**4,369**	**4,369**	**(79)**	**(4,776)**	**27,583**	**10,589**	**38,172**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(3,721)**	**(3,721)**	**(1,800)**	**(5,521)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(228)**	**–**	**(228)**	**(252)**	**(480)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(228)**	**(3,721)**	**(3,949)**	**(2,052)**	**(6,001)**
Transfer of reserve	**–**	**–**	**48**	**48**	**–**	**(96)**	**–**	**–**	**–**
Closing balance as at 31 December 2018	**23,406**	**294**	**4,417**	**4,417**	**(307)**	**(8,593)**	**23,634**	**8,537**	**32,171**
Opening balance as at 1 January 2017	23,406	294	4,369	4,369	–	5,340	37,778	15,911	53,689
Loss for the year	–	–	–	–	–	(9,628)	(9,628)	(5,075)	(14,703)
Other comprehensive income for the year	–	–	–	–	(79)	–	(79)	(247)	(326)
Total comprehensive income for the year	–	–	–	–	(79)	(9,628)	(9,707)	(5,322)	(15,029)
Closing balance as at 31 December 2017	23,406	294	4,369	4,369	(79)	(4,288)	28,071	10,589	38,660

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

AS AT 31 DECEMBER 2018

Company	**Share capital $'000**	**Accumulated losses $'000**	**Total $'000**
Opening balance as at 1 January 2018 (FRS framework)	**23,406**	**(4,799)**	**18,607**
Effects upon adoption of SFRS(I) 9	**–**	**(90)**	**(90)**
Opening balance as at 1 January 2018 (SFRS(I) framework)	**23,406**	**(4,889)**	**18,517**
Loss for the year	**–**	**(614)**	**(614)**
Closing balance as at 31 December 2018	**23,406**	**(5,503)**	**17,903**
Opening balance as at 1 January 2017	23,406	(3,615)	19,791
Loss for the year	–	(1,184)	(1,184)
Closing balance as at 31 December 2017	23,406	(4,799)	18,607

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Loss before taxation		**(5,275)**	(14,416)
Adjustments:			
Interest expense	5	**832**	779
Interest income	5	**(102)**	(437)
Impairment losses on trade receivables	7	**761**	1,048
(Gain)/loss on disposal of property, plant and equipment	7	**(37)**	629
Property, plant and equipment written off	7	**–**	666
Depreciation of property, plant and equipment	7,9	**1,736**	1,788
Amortisation of land use rights	7,10	**73**	70
Amortisation of intangible assets	7,11	**2**	27
Allowance for inventory obsolescence	14	**6**	1,463
Write back of impairment of trade receivables	15	**(85)**	–
Exchange differences		**(310)**	(352)
Operating cash flows before changes in working capital changes		**(2,399)**	(8,735)
(Increase)/decrease in inventories		**(1,443)**	4,429
Decrease in trade and other receivables		**1,388**	6,147
Decrease in note receivables from banks		**2,492**	4,543
Decrease/(increase) in prepayments		**356**	(135)
Decrease/(increase) in advances to suppliers		**3,392**	(2,826)
(Decrease)/increase in trade and other payables		**(3,615)**	344
Increase in contract liabilities		**122**	21
(Decrease)/increase in tax payables		**(66)**	208
Cash flows generated from operations		**227**	3,996
Interest paid		**(832)**	(779)
Interest received		**102**	437
Income tax refunded		**11**	4
Net cash (used in)/generated from operations		**(492)**	3,658
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(2,021)**	(1,149)
Proceeds from disposal of property, plant and equipment		**53**	262
Purchase of intangible assets		**–**	(5)
Net cash flows used in investing activities		**(1,968)**	(892)
Cash flows from financing activities			
(Increase)/decrease in restricted cash		**(1,500)**	905
Proceeds from loans and borrowings		**–**	3,383
Proceeds from/(repayment) of finance lease liabilities		**29**	(20)
Repayment of loans and borrowings		**(452)**	(67)
Decrease in bill payables to banks		**(48)**	(2,378)
Net cash flows (used in)/generated from financing activities		**(1,971)**	1,823
Net (decrease)/increase in cash and cash equivalents		**(4,431)**	4,589
Effect of exchange rate changes on cash and cash equivalents		**(308)**	(100)
Cash and cash equivalents at the beginning of the year		**11,618**	7,129
Cash and cash equivalents at the end of the year	17	**6,879**	11,618

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

Matex International Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 47 Ayer Rajah Crescent #05-10, Singapore 139947.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (the "SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards in Singapore (the "FRS"). These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first that the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In this set of financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, which is the Group and the Company's date of transition to SFRS(I).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

The principal adjustments made by the Group and the Company on adoption of SFRS(I) and the adoption of the new accounting standards that were effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group and the Company have applied the following exemption:

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SRFS(I) 9.

There is no impact to the financial statements upon the first-time adoption of SFRS(I) other than the new accounting standards described below.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group and the Company have adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the adoption of SFRS(I) 9 as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

The initial application of SFRS(I) 9 has no impact to the classification and measurement of the Group's and the Company's financial assets.

Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its financial assets measured at amortised cost.

The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment of $488,000 on the Group's trade receivables. The additional impairment recognised resulted in a corresponding increase in accumulated losses of $488,000 as at 1 January 2018 (opening balance).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

SFRS(I) 9 *Financial Instruments* (Continued)

Impairment (Continued)

The Company recognised an additional impairment of $90,000 on the Company's trade receivables upon adoption of SFRS(I) 9. The additional impairment recognised resulted in a corresponding increase in accumulated losses of $90,000 as at 1 January 2018 (opening balance).

The reconciliation for loss allowances for the Group is as follows:

	Group Trade receivables $'000
Opening loss allowance as at 1 January 2018	5,135
Expected credit losses resulting in increase of opening accumulated losses	488
Adjusted loss allowance	5,623

The reconciliation for loss allowances for the Company is as follows:

	Company Trade receivables $'000
Opening loss allowance as at 1 January 2018	1,162
Expected credit losses resulting in increase of opening accumulated losses	90
Adjusted loss allowance	1,252

SFRS(I) 15 *Revenue from Contracts with Customers*

In accordance with SFRS(I) 15, once either party to an existing contract (i.e. the customer or the entity) has performed, the contract is presented in the financial statements as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. As a result of adopting SFRS(I) 15, advances from customers were reclassified to contract liabilities with no net impact to the Group's and the Company's financial position or performance.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

The following is the reconciliation of the impact arising from the application of the new standards effective on 1 January 2018 to the affected balance sheet items of the Group.

		Group	
	1.1.2017 (FRS) $'000	SRFS(I) 15 adjustments $'000	1.1.2017 (SFRS(I)) $'000
Liabilities			
Advances from customers	73	(73)	–
Contract liabilities	–	73	73

			Group		
	31.12.2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	31.12.2017 (SFRS(I)) $'000	SRFS(I) 9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
Assets					
Trade and notes receivables	18,905	–	18,905	(488)	18,417
Liabilities					
Contract liabilities	–	93	93	–	93
Advances from customers	93	(93)	–	–	–
Equity					
Accumulated losses	(4,288)	–	(4,288)	(488)	(4,776)

The following is the reconciliation of the impact arising from application of the new standards on 31 December 2017 to the affected balance sheet items of the Company. The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 January 2017.

		Company	
	31.12 2017 (FRS) $'000	SFRS(I) 9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
Assets			
Trade and notes receivables	3,303	(90)	3,213
Equity			
Accumulated losses	(4,799)	(90)	(4,889)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but are not yet effective:

Description	***Effective for annual periods beginning on or after***
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*[Date to be determined]*

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

SFRS(I) 16 Leases (Continued)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On adoption of SFRS(I) 16, the Group expects to recognise rights-of-use assets of $1,376,000 and lease liabilities of $1,376,000 for its leases previously classified as operating leases.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated using the straight-line method against the cost (in the case of People's Republic of China ("PRC") subsidiary companies, less estimated residual value of the fixed asset at 10% of cost), over their estimated useful lives. The estimated useful lives have been taken as follows:

Leasehold properties	5 to 94 years
Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2.8 Land use rights

Land use rights relate to properties in the PRC.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

An assessment of the carrying value of land use rights is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exists.

Gains or losses arising from the retirement or disposal of land use rights are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets relate to technology know-how purchased and software. Technology know-how and software are stated in the financial statements of the Group and of the Company at cost less accumulated amortisation and any impairment in value. Technology know-how and software are amortised over a period of 10 years.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (Continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to be a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (Continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and fixed deposits. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis;

(b) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

2.18 Government grants

Government grants are recognised when 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 balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group produces and supplies dyestuffs and auxiliaries to manufacturers mainly in the textile industry, which is the only stream of revenue for the Group.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation is satisfied at a point in time and accordingly, revenue is recognised at a point in time.

Revenue is recognised when the goods or services are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the transaction price which comprises the contractual price. There are no variable considerations that would modify transaction price and accordingly, no significant judgement is involved in estimating the revenue.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred income tax is provided, using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

(b) ***Deferred tax*** (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the 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.

2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 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.

Contingent liabilities and assets are not recognised on the balance sheet.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Critical judgement is required in the application of accounting policies when preparing the Group's consolidated financial statements. Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of trade receivables

The Group determines ECLs and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables.

The provision matrix is based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 32(a) to the financial statements.

The carrying amount of trade receivables as at 31 December 2018 is \$8,834,000 (31 December 2017: \$12,583,000, 1 January 2017: \$19,641,000).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) Allowance for slow-moving and obsolete inventories

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 14 to the financial statements.

The carrying amount of the Group's inventories as at 31 December 2018 is $12,820,000 (31 December 2017: $11,657,000, 1 January 2017: $17,810,000).

(c) Impairment of property, plant and equipment and land use rights

The recoverable amounts of the cash generating units ("CGU") are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model as well as the excepted growth rate and gross margin used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed in Note 9 to the financial statements.

The carrying amount of the property, plant and equipment and land use rights as at 31 December 2018 are $13,809,000 and $713,000 (31 December 2017: $14,335,000 and $806,000, 1 January 2017: $16,352,000 and $889,000) respectively.

4. REVENUE

(a) Disaggregation of revenue

	Group	
	2018	**2017**
	$'000	**$'000**
Primary geographical markets		
People's Republic of China	**35,987**	43,202
Malaysia	**3,835**	2,695
Singapore	**3,524**	4,687
	43,346	50,584

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

4. **REVENUE** (CONTINUED)

(b) Receivables and contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Receivables from contract with customers (Note 15)	**8,834**	12,583	19,641
Contract liabilities	**215**	93	73

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $761,000 (2017: $1,048,000) as disclosed in Note 15 to the financial statements.

Contract liabilities relate primarily to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**93**	73

5. FINANCE INCOME/(EXPENSES)

	Group	
	2018	**2017**
	$'000	**$'000**
Finance income		
– Interests from fixed deposits and bank balances	**102**	437
Finance expenses		
– Interests on term loans	**(806)**	(775)
– Interests on letters of credit and trust receipts	**(24)**	(1)
– Interests on finance leases	**(2)**	(3)
	(832)	(779)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

6. PERSONNEL EXPENSES

The following personnel expenses includes directors' remuneration.

	Group	
	2018	**2017**
	$'000	**$'000**
Salaries and bonuses	**4,740**	4,344
Defined contribution plans	**255**	186
Other personnel expenses	**59**	7
	5,054	4,537

7. LOSS BEFORE TAXATION

This is determined after crediting/(charging) the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Amortisation of intangible assets (Note 11)	**(2)**	(27)
Amortisation of land use rights (Note 10)	**(73)**	(70)
Depreciation of property, plant and equipment (Note 9)	**(1,736)**	(1,788)
Inventories recognised as an expense in cost of sales (Note 14)	**(33,888)**	(46,418)
Audit fees paid to:		
– Auditor of the Company	**(75)**	(68)
– Other auditors	**(200)**	(224)
Non-audit fees paid to:		
– Auditor of the Company	**(9)**	(9)
– Other auditors	**(2)**	(2)
Personnel expenses	**(5,054)**	(4,537)
Inventories written down (Note 14)	**(6)**	(1,463)
Impairment losses on trade receivables (Note 15)	**(761)**	(1,048)
Property, plant and equipment written off	**–**	(666)
Foreign exchange gain/(loss)	**102**	(443)
Gain/(loss) on disposal of property, plant and equipment	**37**	(629)
Operating lease expense	**(520)**	(721)
Transportation expense	**(386)**	(746)
Government grants	**396**	54

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

8. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 December are:

	Group	
	2018	**2017**
	$'000	**$'000**
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**236**	266
– Under-provision in respect of previous years	**10**	21
Income tax expense recognised in the statement of comprehensive income	**246**	287

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss before taxation	**(5,275)**	(14,416)
Tax at domestic tax rate of 17% (2017: 17%)	**(897)**	(2,451)
Adjustments:		
Non-deductible expenses	**423**	1,017
Income not subject to taxation	**(18)**	(68)
Difference in tax rates applicable to overseas operations	**(304)**	83
Utilisation of deferred tax assets not previously recognised	**(19)**	(59)
Deferred tax assets not recognised	**1,056**	1,701
Under-provision of income tax in prior year	**10**	21
Others	**(5)**	43
Income tax expense recognised in the statement of comprehensive income	**246**	287

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2017	17,785	14,479	1,172	1,832	1,152	36,420
Additions	473	367	133	27	149	1,149
Disposals	(537)	(1,654)	(518)	(193)	(79)	(2,981)
Exchange differences	(238)	(194)	(10)	(44)	(16)	(502)
At 31 December 2017 and 1 January 2018	17,483	12,998	777	1,622	1,206	34,086
Additions	720	750	209	110	232	2,021
Disposals	(1)	(29)	(3)	(60)	(509)	(602)
Transfer from investment properties (Note 12)	36	–	–	–	–	36
Exchange differences	(486)	(315)	(15)	(31)	(32)	(879)
At 31 December 2018	17,752	13,404	968	1,641	897	34,662
Accumulated depreciation and impairment loss						
At 1 January 2017	7,223	10,589	859	1,397	–	20,068
Charge for the year (Note 7)	696	809	188	95	–	1,788
Disposals	(81)	(1,163)	(421)	(163)	–	(1,828)
Exchange differences	(107)	(149)	(40)	19	–	(277)
At 31 December 2017 and 1 January 2018	7,731	10,086	586	1,348	–	19,751
Charge for the year (Note 7)	807	740	100	89	–	1,736
Disposals	–	(26)	(3)	(52)	–	(81)
Exchange differences	(118)	(202)	(201)	(32)	–	(553)
At 31 December 2018	8,420	10,598	482	1,353	–	20,853
Net carrying amount						
At 1 January 2017	10,562	3,890	313	435	1,152	16,352
At 31 December 2017	9,752	2,912	191	274	1,206	14,335
At 31 December 2018	9,332	2,806	486	288	897	13,809

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2017	162	761	150	351	1,424
Disposals	–	(123)	–	–	(123)
At 31 December 2017 and 1 January 2018	162	638	150	351	1,301
Disposals	–	(5)	–	–	(5)
At 31 December 2018	162	633	150	351	1,296
Accumulated depreciation					
At 1 January 2017	126	666	52	331	1,175
Charge for the year	8	27	3	4	42
Disposals	–	(122)	–	–	(122)
At 31 December 2017 and 1 January 2018	134	571	55	335	1,095
Charge for the year	8	22	15	5	50
Disposals	–	(5)	–	–	(5)
At 31 December 2018	142	588	70	340	1,140
Net carrying amount					
At 1 January 2017	36	95	98	20	249
At 31 December 2017	28	67	95	16	206
At 31 December 2018	20	45	80	11	156

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

9. **PROPERTY, PLANT AND EQUIPMENT** (CONTINUED)

Construction-in-progress

Construction-in-progress as at 31 December 2018 relates to the construction of the factory building and facilities for subsidiaries in Taixing, Jiangsu Province, the PRC.

Assets under finance leases

The carrying amount of motor vehicles and an equipment held under finance leases at the end of the reporting period was $67,000 (31 December 2017: $49,000, 1 January 2017: $41,000). Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties, plant and equipment with a carrying amount of $5,385,000 (31 December 2017: $6,012,000, 1 January 2017: $6,447,000), are mortgaged to secure the Group's bank loans as disclosed in Note 22 to the financial statements.

Impairment of assets

During the current and previous financial year, a subsidiary of the Group carried out a review of the recoverable amount of its production facility and equipment, which is defined as the cash generating unit ('CGU'), because a loss was incurred in the current financial year. No impairment loss was made for the financial year ended 31 December 2018 as the recoverable amount of the CGU has exceeded the net book value of the assets involved. The recoverable amount was based on its value in use and the pre-tax discount rate used was 7% (2017: 7%).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

10. LAND USE RIGHTS

The land use rights held by the Group relate to properties at No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, the PRC, 8 Biniang South Road, Taixing Economic Development Zone, Jiansu Province, the PRC and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, the PRC. The land use rights have 20 to 50 years tenure commencing at various dates from 1998 to 2006.

The remaining amortisation period of the land use rights in 1 Binjiang South Road, Taixing Economic Development Zone, Jiansu Province, 8 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province and Tang-Zhen Pudong are 35 years, 36 years, and 8 years (2017: 36 years, 37 years, 9 years) respectively.

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Cost			
At 1 January	**2,155**	2,185	2,287
Exchange differences	**(57)**	(30)	(102)
At 31 December	**2,098**	2,155	2,185
Accumulated amortisation			
At 1 January	**1,349**	1,296	1,283
Amortisation (Note 7)	**73**	70	70
Exchange differences	**(37)**	(17)	(57)
At 31 December	**1,385**	1,349	1,296
Net carrying amount	**713**	806	889
Amount to be amortised:			
– Not later than one year	**36**	38	39
– Later than one year but not later than five years	**142**	151	158
– Later than five years	**535**	617	692

<u>Assets pledged as security</u>

The Group's land use rights with a carrying amount of $425,000 (31 December 2017: $462,000, 1 January 2017: $495,000), is mortgaged to secure the Group's bank loans as disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. INTANGIBLE ASSETS

	Group			Company
	Technical Know-how $'000	Software $'000	Total $'000	Technical Know-how $'000
Cost				
At 1 January 2017	267	252	519	267
Additions	–	5	5	–
Exchange differences	–	(26)	(26)	–
At 31 December 2017 and 1 January 2018	267	231	498	267
Write-off	(267)	–	(267)	(267)
Exchange differences	–	(5)	(5)	–
At 31 December 2018	–	226	226	–
Accumulated amortisation				
At 1 January 2017	263	213	476	263
Amortisation (Note 7)	4	23	27	4
Exchange differences	–	(19)	(19)	–
At 31 December 2017 and 1 January 2018	267	217	484	267
Amortisation (Note 7)	–	2	2	–
Write-off	(267)	–	(267)	(267)
Exchange differences	–	(8)	(8)	–
At 31 December 2018	–	211	211	–
Net carrying amount				
At 1 January 2017	4	39	43	4
At 31 December 2017	–	14	14	–
At 31 December 2018	–	15	15	–

Technical know-how was fully amortised and subsequently written off during the year. No impairment loss has been recognised as the asset was fully amortised as at 31 December 2018.

Software pertains to an enterprise-wide information system designed to coordinate information on resources, and activities needed to enable the conduct of the business.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT PROPERTY

	Group $'000
Cost	
At 1 January 2017, 31 December 2017, and 1 January 2018	36
Reclassification	(36)
At 31 December 2018	–
Net carrying amount	
At 1 January 2017	36
At 31 December 2017	36
At 31 December 2018	–

The investment property held by the Group relates to long term leasehold land at Lot 198775 & 198776, R.P.T. Ulu Buntong, Mukim Hulu Kinta, Perak, Malaysia. The investment property has a 99-year tenure ending in 2090. The investment property was measured at cost less accumulated depreciation as the fair value cannot be reliably measured without undue cost or effort and significant uncertain variables would be needed to perform an internal valuation.

During the year, a piece of land owned by a subsidiary of the Group has been reclassified to leasehold property as disclosed in Note 9 to the financial statements, as the land is now held for future use as owner occupied property.

13. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Unquoted equity shares, at cost	**13,090**	13,090	12,090
Less: Impairment losses	**(35)**	(35)	(35)
	13,055	13,055	12,055

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest 2018 %	2017 %
<u>Held by the Company</u>				
Matex Holdings Pte Ltd ("MHPL")[(4)]	General wholesale trading & dyestuffs manufacturing	Singapore	**100**	100
Shanghai Matex Chemicals Co., Ltd ("SMC")[(2)]	Sale of dyestuffs	PRC	**60**	60
Unimatex Sdn Bhd ("USB")[(1)]	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	**100**	100
Amly Chemicals Co., Ltd ("ACL")[(2)]	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	PRC	**100**	100
Matex Chemicals (Taixing) Co., Ltd ("MCT")[(1)]	Manufacturing and sale of dyestuffs	PRC	**60**	60
Dedot Sdn Bhd ("DSB")[(3)]	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	**100**	100
Dedot Pte Ltd ("DPL")[(4)]	General wholesale trading	Singapore	**100**	100
Matex Chemicals Technologies (Shanghai) Co., Ltd ("MTL")[(2)]	General wholesale trading	PRC	**100**	100

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest 2018 %	2017 %
Held through a subsidiary				
Dedot Trading (Shanghai) Co., Ltd ("DTS")(2)	Import, export and wholesale of all kinds of garments, textile products and chemical products	PRC	**100**	100

(1) Audited by member firms of Ernst & Young Global;

(2) Audited by Shanghai ZhongHui, Certified Public Accountants in the PRC;

(3) Audited by Ling Kam Hoong & Co., Certified Public Accountants in Malaysia;

(4) Audited by AccAssurance LLP, Chartered Accountants in Singapore.

Impairment on investment in subsidiary

Dedot Sdn Bhd ("DSB") is currently dormant and is in a net tangible liabilities position. The cost of investment of $35,000 in DSB is fully impaired.

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	(Loss)/profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
31 December 2018:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(473)	1,578
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,327)	(2,934)
31 December 2017:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(3,267)	2,051
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,809)	(1,607)
1 January 2017:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	346	5,318
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(363)	202

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Shanghai Matex Chemicals Co., Ltd ("SMC")			Matex Chemicals (Taixing) Co., Ltd. ("MCT")		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Assets	**14,276**	21,254	29,170	**17,603**	18,220	29,643
Liabilities	**(3,949)**	(6,818)	(10,156)	**(19,488)**	(18,711)	(23,564)
Net current assets	**10,327**	14,436	19,014	**(1,885)**	(491)	6,079
Non-current						
Assets	**1,138**	678	923	**12,016**	12,091	14,007
Net non-current assets	**1,138**	678	923	**12,016**	12,091	14,007
Net assets	**11,465**	15,114	19,937	**10,131**	11,600	20,086

Summarised statement of comprehensive income

	SMC		MCT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue	**10,436**	15,050	**27,590**	39,485
Loss before taxation	**(3,317)**	(4,524)	**(1,186)**	(8,095)
Income tax expense	**–**	–	**–**	(72)
Loss after tax	**(3,317)**	(4,524)	**(1,186)**	(8,167)
Other comprehensive income	**(101)**	(42)	**219**	(23)
Total comprehensive income	**(3,418)**	(4,566)	**(967)**	(8,190)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

14. INVENTORIES

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance sheet:						
Raw materials	**5,095**	4,566	5,859	**–**	–	–
Work in progress	**982**	1,421	3,636	**–**	–	–
Finished goods	**6,743**	5,670	8,315	**29**	33	80
Total inventories at lower of cost and net realisable value	**12,820**	11,657	17,810	**29**	33	80
Statement of comprehensive income:						
Inventories recognised as an expense in cost of sales	**33,888**	46,418	60,801	**4**	56	67
Inventories written-down charged to the income statement	**6**	1,463	25	**–**	–	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND NOTES RECEIVABLES

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables						
– Third parties	**8,834**	12,583	19,641	**1,174**	1,708	2,410
– Amount due from related companies	**–**	–	–	**1,467**	1,595	1,853
	8,834	12,583	19,641	**2,641**	3,303	4,263
Notes receivables	**3,712**	6,322	11,040	**–**	–	–
Total trade and notes receivables	**12,546**	18,905	30,681	**2,641**	3,303	4,263
Add:						
Other receivables (Note 16)	**1,107**	270	1,220	**–**	2	7
Deposits (Note 16)	**821**	598	27	**807**	583	–
Amount due from subsidiaries (Note 16)	**–**	–	–	**1,573**	915	890
Cash and cash equivalents (Note 17)	**8,379**	11,618	8,034	**134**	1,137	3,238
Total financial assets carried at amortised cost	**22,853**	31,391	39,662	**5,155**	5,940	8,398

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND NOTES RECEIVABLES (CONTINUED)

Trade and notes receivables are presented as follows:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets	**751**	1,188	1,889	**751**	1,188	1,889
Current assets	**11,795**	17,717	28,792	**1,890**	2,115	2,374
	12,546	18,905	30,681	**2,641**	3,303	4,263

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Company has granted extended credit terms to a key customer and its balances are reflected under non-current trade receivables.

During the year, the Company has provided an allowance of $174,000 for impairment of a trade related amount due from a subsidiary with a gross amount of $1,641,000.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
United States Dollar	**2,071**	2,336	5,142	**2,641**	3,303	4,263

The notes receivables are with financial institutions in the PRC which are non-interest bearing and have repayment terms ranging from 1 to 12 months (2017: 1 to 12 months). All note receivables are denominated in Chinese Renminbi and are trade-related.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND NOTES RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,808,000 as at 31 December 2017 and $9,774,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	31.12.2017 $'000	1.1.2017 $'000
Trade receivables past due but not impaired:		
– Lesser than 3 months	–	1,713
– 3 months to 6 months	**2,383**	2,665
– 6 months to 12 months	**693**	1,232
– More than 12 months	**732**	4,164
	3,808	9,774

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31.12.2017 $'000	1.1.2017 $'000
Trade receivables – nominal amounts	6,846	6,603
Less: Allowance for impairment	(5,135)	(4,199)
	1,711	2,404
Movement in allowance accounts:		
At 1 January 2017	4,199	
Charge for the year (Note 7)	1,048	
Exchange differences	(112)	
At 31 December 2017	5,135	

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND NOTES RECEIVABLES (CONTINUED)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group Trade receivables 2018 $'000
Movement in allowance accounts:	
At 1 January	**5,623**
Charge for the year (Note 7)	**761**
Written-back	**(85)**
Written off against allowance	**(139)**
Exchange differences	**(95)**
At 31 December	**6,065**

16. OTHER RECEIVABLES AND DEPOSITS

	Group			**Company**		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Other receivables	**1,107**	270	1,220	**–**	2	7
Deposits	**821**	598	27	**807**	583	–
Amounts due from subsidiaries	**–**	–	–	**1,573**	915	890
	1,928	868	1,247	**2,380**	1,500	897

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

16. OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

Other receivables denominated in foreign currencies as at 31 December are as follows:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
United States Dollar	**–**	–	111	**1,573**	914	111

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

Other receivables comprise mainly advances granted to third party and sales offices located at the PRC for operational purposes. The amount is non-interest bearing and repayable on demand.

17. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash at banks and on hand	**6,843**	8,895	3,342	**134**	237	234
Fixed deposits	**1,536**	2,723	4,692	**–**	900	3,004
	8,379	11,618	8,034	**134**	1,137	3,238
Less: Restricted cash	**(1,500)**	–	(905)	**–**	–	–
	6,879	11,618	7,129	**134**	1,137	3,238

Restricted cash are cash that are placed as collateral with a local bank for the term loan taken up by a subsidiary.

Cash at bank earned interest at rates based on daily bank deposit rates ranging from 0.05% to 0.25% (2017: 0.03% to 0.35%) per annum.

Fixed deposits are placed with financial institutions for varying periods of between 7 days to 6 months depending on the immediate cash requirements of the Group. The fixed deposits earned interest at fixed deposit rates ranging from 0.20 % to 0.25% (2017: 0.12% to 3.50%) per annum.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

17. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	**283**	129	858	**32**	34	35

18. TRADE PAYABLES

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	**5,048**	7,215	6,132	**–**	5	–
Add:						
Bill payables to banks (Note 19)	**127**	175	2,575	**–**	–	–
Other payables and accruals (Note 20)	**5,051**	6,914	7,823	**515**	639	504
Term loans (Note 22)	**8,248**	8,930	5,702	**–**	–	500
Less: Provision for unutilised leave	**(83)**	(69)	(65)	**(58)**	(52)	(53)
Finance lease liabilities (Note 21)	**70**	41	61	**–**	5	15
Total financial liabilities at amortised cost	**18,461**	23,206	22,228	**457**	597	966

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	**165**	250	820	**–**	–	–
Chinese Renminbi	**–**	–	430	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. BILL PAYABLES TO BANKS

	Interest rates (per annum)		Group		
	2018	2017	31.12.2018	31.12.2017	1.1.2017
	%	%	$'000	$'000	$'000
Interest bearing	**4.04 – 4.35**	3.00 – 3.50	**127**	175	2,575

The bill payables to banks and term loans disclosed in Note 22 to the financial statements are secured with $1,500,000 in fixed deposits and have repayment terms of less than 12 months.

20. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Other payables	**3,585**	4,705	6,070	**238**	320	228
Accrued operating expenses	**867**	1,523	1,007	**152**	113	36
Accrued payroll related expenses	**599**	686	746	**125**	206	240
	5,051	6,914	7,823	**515**	639	504

Other payables are non-interest bearing and are generally settled on 30 to 90 days' terms.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

21. FINANCE LEASE LIABILITIES

The Group and the Company have finance leases for certain items of plant and equipment and motor vehicles as disclosed in Note 9 to the financial statements, which range from 1 to 6 years (31 December 2017: 1 to 4 years, 1 January 2017: 1 to 5 years). These leases have terms of renewal but no purchase options and escalation clauses.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group					
	Minimum payments 31.12.2018 $'000	Present value of payments 31.12.2018 $'000	Minimum payments 31.12.2017 $'000	Present value of payments 31.12.2017 $'000	Minimum payments 1.1.2017 $'000	Present value of payments 1.1.2017 $'000
Not later than one year	**20**	17	17	15	25	22
Later than one year but not later than five years	**60**	53	29	26	45	39
Total minimum lease payments	**80**	70	46	41	70	61
Less: amounts representing finance charges	**(10)**	–	(5)	–	(9)	–
Present value of minimum lease payments	**70**	70	41	41	61	61

	Company					
	Minimum payments 31.12.2018 $'000	Present value of payments 31.12.2018 $'000	Minimum payments 31.12.2017 $'000	Present value of payments 31.12.2017 $'000	Minimum payments 1.1.2017 $'000	Present value of payments 1.1.2017 $'000
Not later than one year	**–**	–	5	5	12	11
Later than one year but not later than five years	**–**	–	–	–	4	4
Total minimum lease payments	**–**	–	5	5	16	15
Less: amounts representing finance charges	**–**	–	–	–	(1)	–
Present value of minimum lease payments	**–**	–	5	5	15	15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

21. FINANCE LEASE LIABILITIES (CONTINUED)

These obligations are secured by a charge over the leased assets as disclosed in Note 9 to the financial statements. The discount rate implicit in the leases ranges from 2.41% to 3.8% (2017: 3.20% to 3.25%).

22. TERM LOANS

	Weighted average effective interest rate (per annum)	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
SGD loan	3.37%	**256**	433	500	**–**	–	500
Chinese Renminbi ("RMB") loans	5.66%	**7,992**	8,497	5,202	**–**	–	–
		8,248	8,930	5,702	**–**	–	500

SGD loan: This bank loan is drawn down by a subsidiary and is secured with $1,500,000 in fixed deposits, together with the Group's bill payables to banks, and is repayable within 36 months from the date of draw down. Repayment of the loan is due on May 2020. Interest of is charged at the prevailing 1-month SIBOR rate plus 2% and average interest charged during the year is at 3.37% (2017: 2.98%).

As at the end of the reporting period, the subsidiary did not comply with one of the financial covenants of the loan and in accordance with the contractual terms of the loan agreement, the bank is entitled to request for immediate repayment of the outstanding loan amount. Management has obtained a waiver from the relevant bank on 31 December 2018 from complying with the financial covenant for the period from 31 December 2018 to 31 May 2019. The bank had not requested for immediate repayment of the outstanding loan amount as at the date when these financial statements were authorised for issue. As the waiver does not cover 12 months from the end of the reporting period, the loan was classified as a current liability.

RMB loans: These loans are drawn down by a subsidiary. It is repayable within 1 to 12 months from the date of draw down but can be rolled over at the bank's discretion. These loans are due between April 2019 to November 2019. Interest is charged at fixed rate of 5.66% (2017: 5.66%) per annum. The loans are secured over certain assets as disclosed in Notes 9 and 10 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

22. TERM LOANS (CONTINUED)

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes		
	31.12.2017	Cash flows	Foreign exchange movement	Others	31.12.2018
	$'000	$'000	$'000	$'000	$'000
Term loans (current)	8,930	(452)	(230)	–	**8,248**
Bill payables to bank (current) (Note 19)	175	(48)	–	–	**127**
Finance lease liabilities (Note 21):					
– current	15	29	–	(27)	**17**
– non-current	26	–	–	27	**53**
Total	9,146	(471)	(230)	–	**8,445**

			Non-cash changes		
	1.1.2017	Cash flows	Foreign exchange movement	Others	31.12.2017
	$'000	$'000	$'000	$'000	$'000
Term loans (current)	5,702	3,316	(88)	–	8,930
Bill payables to banks (current) (Note 19)	2,575	(2,378)	(22)	–	175
Finance lease liabilities (Note 21):					
– current	22	(20)	–	13	15
– non-current	39	–	–	(13)	26
Total	8,338	918	(110)	–	9,146

The 'other' column relates to reclassification of non-current portion of loans and borrowings including finance lease liabilities due to passage of time.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

23. DEFERRED TAX

Deferred tax liabilities as at 31 December relate to the following:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Undistributed earnings of subsidiaries	**142**	208	–

An analysis of the deferred tax liabilities is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January	**208**	–
Movement in deferred taxes:		
– current financial year	**(66)**	208
At 31 December	**142**	208

Movement in deferred tax is presented as withholding tax expense under "administrative expenses".

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $32,723,000 (2017: $26,435,000) and $3,426,000 (2017: $3,897,000) and the Company has unutilised tax losses of $19,024,972 (2017: $19,024,972) respectively, that are available for offset against future taxable incomes of the entities in which the tax losses arose, for which no deferred tax asset was recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the entities operate. The tax losses have no expiry date except for the tax losses from the People's Republic of China ("PRC") as shown below.

Year incurred	**Expiry date**	**Unrecognised tax losses $'000**
2014	31 December 2018	–
2015	31 December 2019	1,232
2016	31 December 2020	403
2017	31 December 2021	4,480
2018	31 December 2022	4,978

There unabsorbed tax losses from the PRC which expired in the current year was $1,249,000 (2017: $2,742,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23. DEFERRED TAX (CONTINUED)

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, $142,000 (2017: $208,000) of deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries.

24. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares '000	$'000	Number of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	**267,392**	**23,406**	267,392	23,406

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

25. CAPITAL RESERVE

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

26. ENTERPRISE EXPANSION AND GENERAL RESERVE

This pertains to a general reserve fund and an enterprise expansion reserve fund set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profit at a rate determined by the companies. The respective board of directors of the subsidiaries have decided that 20% of the profit after taxation be appropriated each year, of which 10% be appropriated to the general reserve fund and 10% be appropriated to the enterprise expansion reserve fund.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the authorities of the PRC. The reserves are not available for dividend distribution to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

27. TRANSLATION RESERVE

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

28. LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to owners of the Company of $3,721,000 (2017: loss of $9,628,000) by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2017: 267,392,320) shares.

Based on fully diluted basis, the loss per share is 1.39 cents (2017: loss per share is 3.60 cents).

29. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year by the Group other than the compensation of key management personnel below.

Compensation of key management personnel

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits	**1,391**	1,397
Defined contribution plans	**54**	58
Other short-term benefits	**91**	66
	1,536	1,521
Comprise amounts paid to:		
– Directors of the Company	**919**	907
– Other key management personnel	**617**	614
	1,536	1,521

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

30. COMMITMENTS

Operating lease commitments

The Group has various operating lease agreements for office and residential premises. These leases have an average term of between 3 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in the consolidated statement of comprehensive income during the year amounted to $520,000 (2017: $721,000).

Future minimum lease payments under non-cancellable leases as at the end of the reporting period are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**522**	539
Later than one year but not later than five years	**1,069**	1,650
	1,591	2,189

31. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

31. **SEGMENT INFORMATION** (CONTINUED)

	PRC		Other Asia Pacific Countries		Elimination		Note	Group	
	2018	2017	2018	2017	2018	2017		2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue									
External customers	**35,987**	43,202	**7,359**	7,382	**–**	–		**43,346**	50,584
Inter-segment	**21,384**	21,837	**2,641**	326	**(24,025)**	(22,163)	A	**–**	–
Total revenue	**57,371**	65,039	**10,000**	7,708				**43,346**	50,584
Results									
Interest income	**88**	409	**14**	28	**–**	–		**102**	437
Depreciation and amortisation	**1,698**	1,767	**113**	118	**–**	–		**1,811**	1,885
Interest expense	**794**	762	**38**	17	**–**	–		**832**	779
Other non-cash expenses/(income)	**751**	3,820	**63**	263	**(198)**	164	B	**616**	4,247
Segment (loss)/profit	**(4,002)**	(12,034)	**(1,682)**	(1,307)	**409**	(1,075)	C	**(5,275)**	(14,416)
Income tax expense	**(145)**	(207)	**(101)**	(80)	**–**	–		**(246)**	(287)
Assets									
Additions to non-current assets	**1,962**	1,013	**59**	136	**–**	–	D	**2,021**	1,149
Segment assets	**59,122**	63,415	**24,899**	25,364	**(32,933)**	(26,293)	E	**51,088**	62,486
Segment liabilities	**31,498**	29,981	**5,818**	5,256	**(18,399)**	(11,411)	F	**18,917**	23,826

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

31. SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses/(income) consist of gain on disposal of plant and equipment, impairment of trade receivables, and inventories written down as presented in the respective notes to the financial statements.

C The following items are added to/(deducted from) segment profit/(loss) to arrive at "loss before taxation" presented in the consolidated statement of comprehensive income:

	2018 $'000	2017 $'000
(Loss)/profit from inter-segment sales	**(3)**	7
General and administrative expenses	**659**	(252)
Other operating income	**(247)**	(830)
	409	(1,075)

D Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 $'000	2017 $'000
Inter-segment assets	**(14,592)**	(14,373)
Intercompany balances	**(18,341)**	(11.920)
	(32,933)	(26,293)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 $'000	2017 $'000
Inter-segment liabilities	**142**	208
Intercompany balances	**(18,541)**	(11,619)
	(18,399)	(11,411)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

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

It is the Group's and the Company's policy to provide credit terms to creditworthy customers where credit terms granted are usually due within 60 to 90 days from the date of billing. Receivable balances are monitored on an ongoing basis. During the financial year, the Group has adopted stricter credit policy for new customers by requesting for 20% to 30% of the contractual sum as advance payment for PRC customers. The Group and the Company does not expect to incur material credit losses except as provided for in the financial statements.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, after a year they fall due, which are derived based on the Group's and the Company's historical information.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (CONTINUED)

(a) **Credit risk** (Continued)

The Group and the Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and the Company and changes in the operating results of the borrower.

Regardless of the analysis above, 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:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation

– There is a disappearance of an active market for that financial asset because of financial difficulty.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

The Group and the Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than a year past due. It is a common practice in the Group's industry for payments to be made 3 to 12 months after the offered credit term, particularly for PRC, where it is common for debtors to make payment within after the due date. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group and the Company continues to engage enforcement activity such as sending demand or lawyer letters to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group and the Company provides for lifetime expected credit losses for its trade receivables using a provision matrix. The provision rates are determined based on Group's historical credit loss experience, that is taking 10 years average of impairment made during the year over the net trade receivables as at each year end. Information regarding loss allowance movement of trade receivables are disclosed in Note 15 to the financial statements. The expected credit losses also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

PRC:

At 31 December 2018	Current	Less than 3 months due	3 months to 6 months due	6 to 12 months due	More than 12 months due	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	3,162	2,432	201	231	4,342	10,368
Loss allowance provision	(153)	(118)	(10)	(11)	(4,302)	(4,594)
Net carrying amounts	3,009	2,314	191	220	40	5,774

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Other Asia Pacific:

At 31 December 2018	Current	Less than 3 months due	3 months to 6 months due	6 to 12 months due	More than 12 months due	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	1,048	155	804	–	2,525	4,532
Loss allowance provision	(69)	(9)	(17)	–	(1,377)	(1,472)
Net carrying amount	979	146	787	–	1,148	3,060

During the financial year, the Group and the Company wrote-off $139,000 and $109,000 respectively of trade receivables which are more than 5 years past due as the Group and the Company expect the balances to be recoverable.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. One way is to increase its market shares outside PRC.

There is no credit risk concentration other than those described below.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The Group provides expected credit loss for its trade receivables. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2018		2017	
	$'000	% of total	$'000	% of total
By geographical region:				
PRC	**5,774**	**65**	10,761	86
Other Asia Pacific countries	**3,060**	**35**	1,822	14
	8,834	**100**	12,583	100

There is no concentration risk on the Group's trade receivables. At the end of the reporting period, approximately 61% (31 December 2017: 52%, 1 January 2017: 53%) of the Company's trade and other receivables were balances with related parties.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with few different banks.

The Group monitors its liquidity risk and maintains adequate level of cash and cash equivalents to finance the Group's operations.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group 2018	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade, notes and other receivables	**13,723**	**751**	**14,474**
Cash and cash equivalents	**8,379**	**–**	**8,379**
Total undiscounted financial assets	**22,102**	**751**	**22,853**
Financial liabilities:			
Trade and other payables	**10,143**	**–**	**10,143**
Finance lease liabilities	**20**	**60**	**80**
Term loans	**8,616**	**–**	**8,616**
Total undiscounted financial liabilities	**18,779**	**60**	**18,839**
Total net undiscounted financial assets	**3,323**	**691**	**4,014**
2017			
Financial assets:			
Trade, notes and other receivables	18,585	1,188	19,773
Cash and cash equivalents	11,618	–	11,618
Total undiscounted financial assets	30,203	1,188	31,391
Financial liabilities:			
Trade and other payables	14, 235	–	14,235
Finance lease liabilities	17	29	46
Term loans	9,685	7	9,692
Total undiscounted financial liabilities	23,937	36	23,973
Total net undiscounted financial assets	6,266	1,152	7,418

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) **Liquidity risk** (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Company	**One year or less**	**One to five years**	**Total**
2018	**$'000**	**$'000**	**$'000**
Financial assets:			
Trade and other receivables	**4,270**	**751**	**5,021**
Cash and cash equivalents	**134**	**–**	**134**
Total undiscounted financial assets	**4,404**	**751**	**5,155**
Financial liabilities:			
Trade and other payables	**457**	**–**	**457**
Total undiscounted financial liabilities	**457**	**–**	**457**
Total net undiscounted financial liabilities	**3,947**	**751**	**4,698**
2017			
Financial assets:			
Trade and other receivables	3,615	1,188	4,803
Cash and cash equivalents	1,137	–	1,137
Total undiscounted financial assets	4,752	1,188	5,940
Financial liabilities:			
Trade and other payables	587	–	587
Other liabilities	5	–	5
Total undiscounted financial liabilities	592	–	592
Total net undiscounted financial liabilities	4,160	1,188	5,348

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their term loans.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2017: 50) lower/higher with all other variables held constant, the Group's loss before taxation would have been $1,280 higher/lower in 2018 (2017: $2,165 higher/lower), arising mainly as a result of lower/higher interest expense on floating rates loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. These give rise to foreign currency risk. However, the Group tries to match the timing of its receipts and payments in the same foreign currency in an effort to reduce foreign currency risk.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before taxation with a reasonably possible change in the USD against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group	
		2018	**2017**
		Loss before tax	**Loss before tax**
		$'000	**$'000**
USD/SGD	– strengthened 3% (2017: 3%)	**+48**	+49
	– weakened 3% (2017: 3%)	**-48**	-49

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current trade and notes receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, bill payables to banks, and term loans, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The carrying amount of non-current trade receivables approximates fair value, which was determined using significant unobservable inputs and estimated by discounting future cash flows at market incremental interest rate.

The carrying amounts of finance lease liabilities approximates the fair value as the interest rates are subject to fluctuations in the market interest rates.

34. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

As disclosed in Note 26 to the financial statements, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70%. The Group includes within net debts, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the abovementioned statutory reserve fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

34. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2018	2017
	$'000	$'000
Term loans (Note 22)	8,248	8,930
Trade payables (Note 18)	5,048	7,215
Bill payables to banks (Note 19)	127	175
Other payables and accruals (Note 20)	5,051	6,914
Finance lease liabilities (Note 21)	70	41
Less: Cash and cash equivalents (Note 17)	(6,879)	(11,618)
Net debt	11,665	11,657
Equity attributable to the owners of the parent	23,631	28,071
Less: General reserve (Note 26)	(4,417)	(4,369)
Less: Enterprise expansion reserve (Note 26)	(4,417)	(4,369)
Total capital	14,797	19,333
Capital and net debt	26,462	30,990
Gearing ratio	44%	37%

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors dated 28 March 2019.

SUSTAINABILITY **REPORT**

ABOUT THIS REPORT

The Group's sustainability report ("**Sustainability Report**") shows the Group's deep considerations for sustainability issues as part of its strategic formulation and business strategies. It draws from the Economic, Operational, Environmental and Social Performance Statements within the Annual Report.

The Group had its first Sustainability Report in year 2017, it will continue on a yearly basis as part of its Annual Report.

In this report, it sets out the approaches adopted by the Group and the measures it has taken thus far in managing the environmental, social and governance ("**ESG**") aspects of our business operations based on Global Reporting Initiative ("**GRI**") guidelines

The Sustainability Report focuses on addressing material ESG factors to provide readers with meaningful overview on how sustainability issues are managed, in line with Singapore Exchange's Listing Rules 711B for listed companies that covers the primary components outline as follows: -.

- Board Statement;
- Sustainability reporting framework;
- Materiality Assessment;
- Policies, practices and performance;
- Targets

BOARD STATEMENT

We best tackle each challenge with safe, reliable and innovative solutions. We entrust our competent local teams to provide sustainable developments for the Group and the communities in which we operate.

We continue to monitor the impact that its business activities or actions may have on the environment and communities and recognises the importance of healthy ecosystems and social equity. Operating at all times with integrity, trust and reliability, remains with the same vision to continue to manufacture and supply innovative and high-quality products in a manner that minimises impact on the environment.

SUSTAINABILITY **REPORT**

We deem sustainability as a critical success factor for companies to ensure long-term value creation. The key material ESG factors for the Group have been identified and reviewed by the management of the Group. The board of the Company (the "**Board**") oversees the management, monitors these factors and takes them into consideration when determining the Group's strategic direction and policies.

We will continue to pursue good corporate governance and sustainable business practices that better fosters best practices, transparency, accountability and integrity for the long-term sustainability of our business and value creation for our stakeholders and communities.

REPORTING FRAME WORK, PERIOD AND SCOPE

This report particularly articulates on the economic and operation, governance and social issues that affect the group of companies in general., which covers the fiscal period of 1 January 2018 to 31 December 2018.

This report adopted the Framework of Global Reporting Initiative (GRI) Sustainability Reporting Standards, a Standard which is aligned with international standards and normative frameworks. The information and data are reported in good faith as the Group continues to strengthen its data collection processes.

MATERIALITY ASSESSMENT

Economic & operational factors

Retention of customers

As in the last Sustainability Report, the Group deems that customer retention is crucial to business sustainability and needed to drive sales growth. Not only does it cost less to retain existing customers, very often the existing customers who are with us for long tend to trust and are willing to make larger purchases, which would in turn generate higher returns. By establishing a core base of proven customers who are more likely to try our new products, it will also help the Group's brand to expand beyond its current boundaries.

Notwithstanding our low production volumes as a result of having to comply with the Chinese government orders to move from using coal to natural gas during the last two years, the Group continues to keep good rapport with the customers. With production capacity gradually resuming over time, the Group continues to see positive return of existing customers and an ongoing effort to gain back its market share.

SUSTAINABILITY **REPORT**

Improvement of productivity efficiencies

Waste arising in production processes can have a significant effect on profitability and therefore it is necessary to eliminate wastage in raw material, wastage of time in the case of man and machine hours etc.

During the second half of the year, the Group has upgraded part of its old equipment as well as automating part of its production facilities with the aim of reducing wastage and to optimise utilisation of man and machine hours. Concurrently, managers were reassigned with the responsibilities to correct problematic areas and have a clear view for work to be performed, evaluated and scored.

The Group intends to implement a progressive and flexible system to reward and publicize any waste-reduction good efforts by its employees in year 2019.

Strategic partnership

During the year, the Group worked closely with its global strategic brands, partners and customers to launch its range of eco-friendly products like **Megapro® ECO**, where it received positive feedback.

There is an improvement of gross margin from 3.8% in year 2017 to 14.7% in year 2018. This is as a result of higher selling price achieved and better control over the cost of production, mainly attributed from its optimum cost saving on raw materials purchased by way of centralise procurement. The Group will continue with its central procurement if it continues to prove to be cost effective.

Environmental factors

Reduce and reuse

The Group fully embraces the concept of waste minimisation across the supply chain. It strives to minimize waste within its operations. Reduction of waste not only reduces impact of growing amounts of waste on the natural environment but also creates savings on material costs.

During the year, the Group has reduced its wastage on raw materials by collecting and reusing them for subsequent production.

SUSTAINABILITY **REPORT**

Waste water treatment

As a dye and chemical company, environmental protection is certainly a key and crucial issue to us. As a responsible corporation, we ensure the wastewater generated from our production processes, is properly treated before discharging them.

Not only do we play our part to minimise the impact on the environment, we hope we can also spread our efforts to other stakeholders up and down our value chains. The Group intents to use a novel membrane to treat high salt content wastewater in textile dyeing industry, with its expected operating pressure much lower than the operating pressures of similar membranes available in the market. This saves time, energy and cost to the treatment.

The Group will look forward to make and commercialize such a system and is targeting by middle of year 2020, to add to in its product line to provide an integrated solution to its customers who face ever increasing challenges in their own wastewater treatments.

Reduction in carbon emissions

The Group released its **2018 COP** (Communication on Progress Report) on the UN Global Compact Website. It is constantly on the lookout for better ways to reduce its impact on the environment by lowering carbon emissions and improving energy efficiencies in its daily operations.

In complying with the Chinese government order to move from using coal to natural gas, the Group has completed the transformation during the year. By switching from coal to natural gas, a more environmentally friendly fuel, the Group has achieved reduction in our carbon emissions. As a result, it provides workers with a cleaner working environment.

Eco-friendly products

To keep our customers abreast of our latest technologies and comply with the required global standards, we have developed a wide range of products which can entail the use of less resources like water and electricity. The Group has also developed **Megapro® ECO**, a system comprises a range of products which fully eliminates the need for salt in exhaust dyeing. This not only ensures customers' business continuity, it results in less utility usage which will also mean achieving cost reductions and savings with a much lower ecological carbon footprint.

SUSTAINABILITY **REPORT**

Social factor

Compliance of industrial standards

The Group continues its commitment to meet the industry's best practices and would ensure that its business conforms to the requirements and standards.

It is a regular member partner at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers ("ETAD")**. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information.

It is also a partner of **Bluesign® System** committed to support Bluesign's vision to manage inputs and responsible actions. The Bluesign® system unites the entire textile supply chain to jointly reduce its impact on people and the environment.

Compliance of law and regulation

Regulatory compliance is of importance for business continuity. It also serves to foster trust among stakeholders. Just as a positive reputation is likely to encourage stakeholders to maintain and deepen relationships, the converse can ultimately undermine the financial performance of the Group.

As a responsible corporate citizen, the Group will continue to observe all regulatory requirements within the Group.

Employment and retention of employee

The Group continues to pledge its full commitment to Fair Employment Practices under the framework of TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices) organized and endorsed by Ministry of Manpower of Singapore, NTUC (National Trade Union Congress) and SNEF (Singapore National Employers Federation).

It recognises that it is important to provide a safe and conducive working environment for employees. The Group's standardised company-wide policy includes the maintenance of a comprehensive set of work safety management systems. These include procedures for operation of machinery, occupational health and safety practices, emergency rescue plans, environmental protection practices. Our operations have management systems that are following the ISO 14001, ISO 9001 and OHSAS 18001:2007 standards.

For a fair and equitable employment, our recruitment and promotion criteria are based on merit and the performance of individuals, without discrimination of race, gender, age or religion.

SUSTAINABILITY **REPORT**

STAKEHOLDER ENGAGEMENT

The Group understands the need for frequent stakeholder communications and so continue to stay engaged with them. Where it deems it highly relevant to the sustainable developments of the Group and a prerequisite for its long-term sustainable growth.

The Group actively communicates and interacts with stakeholders during the course of daily operations to understand and address the demands and concerns of all parties. In addition to meeting stakeholders, the senior management also participates in conferences and exchanges with the Associations in order to contribute to different areas of the industry, as well as to stay abreast of industry trends. Such communications play a vital role in Group-wide decision-making processes.

Below table summarised the information on communications the Group has with the different group of stakeholders.

Stakeholders	Topics concerned	Communication channels	Frequency per year
Customers	• Production quality and improvements; • Operation in compliance with applicable law and regulations; • Customer support; • Financial performance	• Customer visits or meetings; • Industry exhibitions; • Quarterly or half yearly business review; • Customer service hotline and email	• As required • Yearly • Quarterly or half year • As required
Employees	• Communication and engagement; • Career development and welfare; • Working environment condition; • Training	• Social events with employees, internal announcement and emails; • Regular management meeting with staff; • Regular review with department heads;	• As required • As required • As required
Shareholders	• Return on investment; • Operation in compliance with applicable law and regulations	• Half yearly and annual financial results announcement; • Sustainability report	• Bi-yearly • Yearly
Investors	• Strategic plans; • Operation in compliance with applicable law and regulations	• Regular meeting with investors; • Sustainability report	• As required • Yearly

SUSTAINABILITY **REPORT**

Stakeholders	Topics concerned	Communication channels	Frequency per year
Suppliers	• Supplier quality performance; • Supplier sustainability in business; • Operation in compliance with applicable law and regulations	• Regular meeting with suppliers; • Key suppliers audit; • Sustainability report	• As required • Yearly • Yearly
Government and regulators	• Operation in compliance with applicable law and regulations	• Regular compliance update and submission	• Yearly
Communities	• Environmental protection; • Community activities involvement; • Support to society organisations; • Operation in compliance with applicable law and regulations	• Participation in community activities; • Communication through phones and emails; • Sustainability report	• On-going • As required • Yearly

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost cutting and process innovation

By streamlining production processes this will certainly help to minimize cost and in turn increase competitive advantage. To improve the efficiency of a process, we can simplify or eliminate unnecessary steps by tapping on proven, modern techniques without undermining the quality of the products. One such way is to start by automating the packaging process.

The group intends to go for semi-automated packaging systems. This can help the Group to streamline its operation and substantially improve turnaround time, thus increasing customer satisfactions as a result. On the other hand, it will also help to reduce redundant manhours by relying less on workers and thus lead to cost-saving efficiencies.

As natural gas possesses higher burning rate as compared to coal, thus as a result, the Group achieved saving on electrical energy in year 2018 versus in year 2017.

SUSTAINABILITY **REPORT**

To improve data management

The Group's E-Commerce Project had kicked off in Oct 2017 and the system has fully gone live at the beginning of year 2019. By tapping on this new system, the Group would expect more opportunities to reach out to more customers for business growth that may have otherwise been left unknown to the sales teams, due to geographical reasons. It presents an economical method of reaching out to a large targeted audience with high degree of efficiencies.

Other benefits will include improved real-time interaction with customers, accurate insights, better inventory management, accessing new customer segments, higher productivity, better resource allocation. It will be easier and more efficient for users to collect data from all departments within the group from all regions, which will yield faster and more accurate information. It helps to streamline business operations to deliver competent and relevance to customers' enquiries, which will result in higher chances of closing deals. By giving a better macro view of the pending order list, it will go on to enhance effective forecasting and efficient business decisions.

Environmental protection

Matex continued its efforts with **Megapro® ECO**, a system which eliminates the need for salt in exhaust dyeing. This is an environmental revolution and during the year, it commences marketing with its global strategic brands and business partners with the aim to become the first player in the industry.

The Group's products are approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and limits on extractable heavy metal content.

The Group is committed to sustainable environmental practices, which plays a critical role in preserving, protecting and improving the environment. It will nevertheless continue to seek for ways to improve its environmental protection capabilities.

Community investment

The Group believes corporate social responsibility shall also include giving back to the community. It continues to participate in various projects to support education, employability as well as uplifting social causes.

SUSTAINABILITY **REPORT**

Where the Group: -

- continues to work with various **social enterprises** like WateROAM and start-up communities and companies on various projects ranging from developing suitable products to deliver to poverty and disaster struck areas and places, across to innovative solutions to treat and provide clean drinking water.

- has successfully organized for the **8th year** running the **SDC** (Society of Dyers and Colourists) Singapore heat. A country winner was chosen amongst local Textile and Fashion Schools to represent at the Grand Finals in London. The SDC is the world's leading independent, educational charity dedicated to advancing the science and technology of colour worldwide.

- continues to actively participate in internship programmes organised by various academic institutions. During the year, it also participated in The Skills Future Earn and Learn Programme, a work-learn programme that gives fresh graduates a head-start in careers related to their discipline of study. It provides them with more opportunities, after graduation, to build on the skills and knowledge they acquired in school, and better supports their transition into the workforce. It also took part in the Professional Conversion Programme (PCP) endorsed by Workforce Singapore. PCP is a programme under the national Adapt and Grow initiative. This programme is suitable for mid-career switchers who are prepared to undergo On-Job Training (OJT) to transit into an industry that is new to them. PCP provides career growth support to mid-career Professionals, Managers, Executives and Technicians across many sectors. Upon successful programme completion, PCP participants will be awarded with accredited qualifications.

By participating in such programmes, the Group is doing its part to support as an employer and hopes to provide a steady platform to train future value skilled employees for the industry which we are in.

GOVERNANCE

Corporate governance

To ensure the independence of the Board of Directors (BOD), transparency in the BOD operations as well as to safeguard stakeholders' interest and maximizing their long-term values, the Group continuously updates and improves the company's policies and procedures.

For the financial year ended 31 December 2018, the company has generally adhered to the framework as set out in the Singapore Corporate Governance Code 2012 issued on 2 May 2012.

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

We are committed to maintaining the high standards of our corporate governance.

REPORT ON **CORPORATE GOVERNANCE**

The board of directors (the "**Board**") and the management (the "**Management**") of Matex International Limited (the "**Company**") are committed to uphold good corporate governance practices and to comply with the Principles of the Singapore Corporate Governance Code 2012 (the "**Code**"). Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interests of all shareholders. This report outlines the Company's corporate governance processes that have been adopted by the Company with specific reference to the principles of the Code.

On 6 August 2018, a revised Code was issued. The revised Code, together with associated changes to the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), will be effective for financial years beginning from 1 January 2019, except for specified requirements that take effect in 2022. Accordingly, the revised Code will take effect for the Company in respect of its annual report relating to the financial year beginning on 1 January 2019 and ending on 31 December 2019.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board supervises the Management of the business and affairs of the Company and its subsidiaries (the "**Group**"). The Board is collectively responsible for the long-term success of the Company. The primary role of the Board is to set broad corporate and strategic direction, approve the appointment of directors and major funding and investment proposals, establish framework of prudent and effective controls and review management's performance as well as the financial performance of the Group. The Board also identifies the key stakeholder groups, and fit the Group's values and standard (including ethical standard). It also considers sustainability issues such as environmental and social factors as part of its strategic formulation in line with the guidelines of the Code.

The Board meets to consider the following:

1. Approval of nomination of Directors;
2. Approval of half year and full year results announcements;
3. Approval of annual audited results and accounts;
4. Declaration of interim dividends and proposal of final dividends;
5. Convening of shareholders' meetings;
6. Approval of corporate direction and strategy;
7. Review the framework for prudent and effective controls which enable risks to be properly assessed and managed;
8. Authorisation of merger and acquisition transactions;
9. Authorisation of major transactions;

REPORT ON **CORPORATE GOVERNANCE**

10. Authorisation/approval for material interested party transactions; and
11. Ensure compliance with the Code, the Companies Act (Cap 50) of Singapore, the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), accounting standards and other relevant statutes and regulations.

Delegation of Authority on certain Board Matters

To facilitate effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

Meetings of the Board and Board Committees

The Board meets at least twice a year and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Constitution. The details of the number of board meetings held for the financial year ended 31 December 2018 ("**FY2018**") as well as the attendance of each board member at the meetings of the board committees are disclosed below.

To assist in the execution of its responsibilities, the Board had established 3 Board Committees and delegates specific areas of responsibilities to these Committees. The Committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**") (Collectively, "**the Board Committees**")

Name of Director	Board Meetings		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Dr John Chen Seow Phun	2	2	1	1	1	1	2	2
Dr Tan Pang Kee	2	2	1	1	1	1	2	2
Mr Tan Guan Liang	2	2	1	1	1	1	2	2
Mr Foo Der Rong	2	2	1	1	1	1	2	2
Mr Wang Dao Fu	2	2	1	1	1	1	2	2

The Board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, Directors, whether as a group or individual, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company. Apart from keeping the Board informed of all relevant new laws and regulations, the Company will consider appropriate training and orientation session for newly appointed directors. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations.

REPORT ON **CORPORATE GOVERNANCE**

If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the roles and responsibilities of a director of a listed company and to familiarise such person with the relevant rules and regulations governing a listed company.

Principle 2: Board Composition and Balance

As at the date of this report, the Board comprises five (5) Directors, as set out below, three (3) of whom (Including the Chairman) are independent and non-executive Directors (the "**Independent Directors**") and two (2) are Executive Directors:

Dr John Chen Seow Phun (Chairman)
Dr Tan Pang Kee
Mr Foo Der Rong
Mr Wang Dao Fu
Mr Tan Guan Liang

The independence of each Independent Director is reviewed annually by the Nominating Committee ("**NC**"), based on the definition and criteria as set out in the Code. The NC has reviewed the forms completed by each independent director and is satisfied that more than half of the Board comprises independent directors.

The Board consists of high calibre members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, legal, business and general corporate matters. Taking into account the nature and scope of the Company's operations, the NC, with the concurrence of the Board, is of the view that the current board size and mix of expertise and experience, is appropriate.

During the year, the Non-Executive Directors communicated among themselves without the presence of Management as and when the occasions warrant.

The Chairman, Dr John Chen, has served on the Board for more than nine years since his appointment in year 2003. His re-election has been subject to particularly rigorous review by the NC. NC has given due consideration and in their opinion, the NC determined that Dr John Chen is independent notwithstanding that he has served on the Board beyond nine years for he has continued to demonstrate strong independence in character and judgement when discharging his responsibilities. In addition, NC and Company also recognised his contribution in his fields of expertise, as someone who always exercise independent judgment and demonstrate objectivity in his deliberations in the Company's interest.

REPORT ON **CORPORATE GOVERNANCE**

Principle 3: Chairman and Chief Executive Officer ("CEO")

Different individuals assume the Chairman and CEO's functions in the Company. The Chairman, Dr John Chen Seow Phun ("**Dr John Chen**") is an Independent Director, while the CEO, Dr Tan Pang Kee ("**Dr Tan**"), is an executive director. There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at top of the Company. The Chairman and the CEO are not related to each other.

The division of responsibilities between the CEO and the Chairman are clearly established in writing and approved by the Board. The CEO has the executive responsibility for the day-to-day operations of the Group. He is responsible for, amongst others, strategic issues and ensuring that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete and adequate, timely and clear information for discussion of all agenda items, particularly strategic issues. The Chairman bears responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

Principle 4: Board Membership

Nominating Committee ("NC")

The NC comprises the following members, three (3) of whom are Independent Directors:

Mr Foo Der Rong (Chairman)
Dr John Chen
Mr Wang Dao Fu

The NC, which has written terms of reference, is responsible for making recommendations to the board on all board appointments and re-appointments. The NC's responsibilities include the following:

(a) make recommendations to the board on new appointments to the board;

(b) make recommendations to the board on the re-nomination of retiring directors standing for re-election at the Company's Annual General Meeting, having regard to the directors' contribution and performance (e.g. attendance, preparedness, participation and candour);

(c) ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(d) review the size and composition of the board with the objective of achieving a balanced board in terms of the mix of experience and expertise;

(e) determine annually whether or not a director is independent;

(f) ensure complete disclosure of key information of directors in the Company's annual reports as required under the Code;

REPORT ON **CORPORATE GOVERNANCE**

(g) decide on how the board's performance may be evaluated and recommend objective performance criteria to the board;

(h) report to the board on its activities and proposals;

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

(j) carry out such other duties as may be agreed to by the NC and the board.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Constitution, one-third of the directors are to retire from office by rotation and be subjected to re-election at the Company's Annual General Meeting ("**AGM**").

The directors named below are retiring and being eligible, subject for re-election at the forthcoming AGM to be held on 29 April 2019.

Name of Director	**Dr John Chen Seow Phun**	**Dr Tan Pang Kee**
Date of appointment	11 July 2003	23 March 1990
Date of last election	27 April 2017	20 May 2002
Age	65	71
Country of principal residence	Singapore	Singapore
The Board's comments on the NC's recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Dr John Chen's performance as a Non-Executive Chairman and Independent Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Dr Tan's performance as an Executive Director and Chief Executive Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Executive. Responsible for overseeing the operations of the Company's business of trading
Job title	Non-Executive Chairman and Independent Director, Chairman of Audit Committee, Member of Nominee and Remuneration Committee.	Chief Executive Officer and Executive Director

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
Professional qualifications	Doctor of Philosophy degree in Electrical Engineering	Doctor of Philosophy in Business Administration
Working experience and occupation(s) during past 10 years	Dr John Chen was a member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. Dr John Chen was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, Dr John Chen was the Minister of State for National Department. Dr John Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. Dr John Chen taught at the National University of Singapore from 1983 to 1991. He is presently the Executive Chairman of Pavillon Holdings Ltd, and the Chairman of SAC Capital Pte Ltd.	Matex International Ltd 23 March 1990 to current – Founding Director and Chief Executive Officer
Shareholdings interest in the listed issuer and its subsidiaries	Dr John Chen holds 100,000 ordinary shares (0.04%) in the share capital of the Company.	Dr Tan holds 58,343,000 ordinary shares (21.82%) in the share capital of the Company.
Any relationship (including immediate family relationships) with any existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	Mr Tan Guan Liang, Executive Director – son of Dr Tan.
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
Other Principal Commitments including Directorships	Past (for the last 5 years) • National University Health System Pte Ltd • Pattern Discovery Technologies Pte Ltd Present • OKP Holdings Ltd • Hiap Seng Engineering Ltd • Hanwell Holdings Ltd • Tat Seng Packaging Group Ltd • HLH Group Ltd • Fu Yu Corporation Ltd • Pavillon Holdings Ltd • JLM Foundation Ltd • Pavillon Financial Leasing Co. Ltd • Pavillon Business Development (Shanghai) Co. Ltd	Past (for the last 5 years) Nil Present • Matex International Limited
The general statutory disclosures of the Directors are as follows:		
Question		
(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 partner or at any time within 2 years from the date, he ceased to be a partner?	No	No

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
(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 any 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, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings of which he is aware) for such purpose	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he as so concerned with the entity or business trust?	No	No

REPORT ON **CORPORATE GOVERNANCE**

Name of Director	Dr John Chen Seow Phun	Dr Tan Pang Kee
(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, processional body or government agency whether in Singapore or elsewhere?	No	No

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

The NC is conscious of the competing time commitments that are faced when Directors serve on multiple boards. Directors should not serve on more principal boards than they can handle.

The Board has determined and decided that the number of listed company board representations which a director may hold, should not be more than nine (9). This is to ensure sufficient time and attention to Company's affairs, are given by the Directors.

Currently, the Company does not have any alternate Director on the Board.

REPORT ON **CORPORATE GOVERNANCE**

Key information regarding Directors

Key Information on the directors is set out below:

Name of director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	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
Dr John Chen Seow Phun	Doctor of Philosophy degree in Electrical Engineering	Chairman: AC Member: NC & RC	11 July 2003/ 27 April 2017	Non-executive/ Independent	Retirement pursuant to Article 89	Nil	• OKP Holdings Ltd • Hiap Seng Engineering Ltd • Hanwell Holdings Ltd • Tat Seng Packaging Group Ltd • HLH Group Ltd • Fu Yu Corporation Ltd • Pavillon Holdings Ltd • JLM Foundation Ltd • Pavillon Financial Leasing Co. Ltd * Pavillon Business Development (Shanghai) Co. Ltd
Dr Tan Pang Kee	Doctor of Philosophy in Business Administration	N/A	23 March 1990/20 May 2002	Executive	Retirement pursuant to Rule 720(4) of the Catalist Rules of SGX-ST.	Nil	Nil

REPORT ON **CORPORATE GOVERNANCE**

Name of director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	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
Mr Foo Der Rong	Bachelor of Commerce Degree	Chairman: NC Member: RC & AC	10 May 2016/ 27 April 2018	Non-executive/ Independent	N/A	• Intraco Ltd • Tat Hong Intraco Pte Ltd • Tat Hong Intraco Heavy Equipment Co., Ltd • K.A. Building Construction Pte Ltd • K.A. Fabric Shutters Pte Ltd • K.A. FireLite Pte Ltd • K.A. Fireproofing Pte Ltd • K.A. Firespray Sdn Bhd • K.A. Group Holdings Pte Ltd	• Southern Lion Sdn Bhd • Pavillon Holdings Ltd • Noel Gifts International Ltd • Tian International Pte Ltd • SLB Development Ltd
Mr Wang Dao Fu	Bachelor of Laws	Chairman: RC Member: NC & AC	11 January 2017/ 27 April 2017	Non-executive/ Independent	N/A	• Dazhou Commercial Bank	• Poceq Trading (Shanghai) Co. Ltd • Suzhou Diezhi Network Technoloty Co.Ltd • TH Straits 2015 Pte. Ltd • SGD Investment Pte Ltd • MOBO Information Technology Pte Ltd
Mr Tan Guan Liang	Master in Architecture	N/A	01 March 2010/ 27 April 2018	Executive	N/A	Nil	Nil

REPORT ON CORPORATE GOVERNANCE

Review of Directors Independence

The NC is guided by the definition and criteria of independence given in the Code in determining if a director is independent.

NC has annually, and as and when circumstances required, determined if a director is independent bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors of the Code. Any Director who has served on the Board beyond nine years from the date of his first appointment is subject to particularly rigorous review by the NC.

Each Independent Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

The Board concurred with the NC's view that the 3 Independent Directors are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement.

Principle 5: Board Performance

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of the individual Director, aim to assess whether each Director continues to contribute effectively and demonstrate commitment to the role.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the Board evaluation are in respect of board size and composition, board process, board information and accountability, board performance in relation to discharging its principal functions and responsibilities and financial targets. The individual Directors' performance criteria were in relation to their industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the board and committee meetings.

The NC evaluated the performance of the Board as a whole taking into consideration the Board's discharge of its principal responsibilities, the earnings of the Group and the economic environment for FY2018. The NC considered the Board's performance to be satisfactory. The Board concurred with the NC's recommendation.

Principle 6: Access to information

Management provides half yearly and full year management accounts which present a balanced and understandable assessment of the Group's performance and position. Directors are also entitled to request from Management and are provided any additional information that they may need for decisions and approval.

REPORT ON **CORPORATE GOVERNANCE**

The Directors have separate and independent access to the Company's senior management and the Company Secretary, and together with the Company Secretary, are responsible for ensuring that the board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends all board and specialised committee meetings and is responsible to ensure that board procedures are followed. The appointment and the removal of the Company Secretary are subject to the approval of the Board. During the AC meetings, AC has a separate meeting with the Company's auditors without the presence of Management.

Principle 7: Policy for Developing Remuneration Policies

Annual Remuneration Reports

Remuneration Committee ("RC")

The RC comprises the following members, three (3) of whom, are Independent Directors:

Mr Wang Dao Fu (Chairman)
Dr John Chen
Mr Foo Der Rong

The members of the RC carried out their duties in accordance with the term of references, which include the following:

(a) make recommendations to the board on the framework of remuneration for the directors;

(b) make recommendations to the board on the specific remuneration packages for each executive director and managing director (or executive of equivalent rank) of the Company;

(c) review all benefits (including share schemes) and compensation packages for directors of the Company;

(d) report to the board on its activities and proposals; and

(e) carry out such other duties as may be agreed to by the RC and the board.

The Company adopts a formal procedure for the fixing of the remuneration packages of individual directors and key management personnel. No Director is involved in deciding his own remuneration.

The RC may, from time to time and where necessary, seek advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2018.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and key Management Personnel's contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

REPORT ON **CORPORATE GOVERNANCE**

Principle 8: Level and Mix of Remuneration

In making its recommendations to the Board on the level and mix of remuneration, the RC seeks to be competitive in order to attract, motivate and retain high-performing executive to drive the Group's businesses whilst operating within the Group's risk parameters.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors. The RC also ensures that the remuneration policies support the Company's objectives and strategies.

Executive directors do not receive directors' fees. The remuneration policy for executive directors and key management personnel consists of two key components, that is, fixed cash and annual variable components. The fixed components include salary and other allowances. The variable component comprises a performance-based bonus which forms a significant proportion of the total remuneration package of executive directors and is payable on the achievement of individual and corporate performance targets.

The service contracts for the two executive directors have fixed appointment period and clauses relating to early termination. None of the service contracts has any onerous removal clauses.

Non-executive directors, including the Chairman, have no service contract with the Company and their terms are specified in the Articles of Association. Non-executive directors are paid a basic fee and additional fee for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of directors are taken into account. Such fees are subject to the approval of the shareholders as lump sum payment at the Annual General Meeting of the Company.

The Company currently has no employee share option schemes or other long-term incentive scheme in place.

There are, at present, no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Executive Officers in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

REPORT ON **CORPORATE GOVERNANCE**

Principle 9: Disclosure on Remuneration

Remuneration of Directors and Top 5 Key Management Personnel

Directors

A breakdown of the gross remuneration of the Directors of the Company for the year ended 31 December 2018 is set out below:

Name of director	Salary	Bonus/ Profit sharing	Other benefits(1)	Fees	Total
	$	$	$	$	$
Dr Tan Pang Kee	455,850	–	9,350	–	465,200
Mr Tan Guan Liang	231,300	18,000	3,982	–	253,282
Dr John Chen Seow Phun	–	–	–	63,000	63,000
Mr Foo Der Rong	–	–	–	42,000	42,000
Mr Wang Dao Fu	–	–	–	42,000	42.000
	687,150	18,000	13,332	147,000	865,482

Note:

(1) Other benefits refer to benefits-in-kind such as car etc made available to directors as appropriate.

Top 5 Key Management Personnel

The gross remuneration paid to top 5 key management personnel of the group (who are not directors or the CEO) for the year ended 31 December 2018 is $617,295 as set out below:

	Salary	Bonus	Other Benefits(2)	TOTAL
Remuneration Band(1) & Name of Key Management Personnel	94.85%	1.09%	4.06%	100.00%
Below $250,000				
Serine Yeo Ngen Huay	93.50%	–	6.50%	100.00%
Lok Fong Meng	93.80%	–	6.20%	100.00%
Tan Pang Sim	95.92%	2.63%	1.45%	100.00%
Chen Qin Lin	98.10%	1.90%	–	100.00%
Liushen	95.90%	4.10%	–	100.00%

Notes:

(1) Remuneration amounts are inclusive of salary, bonus, incentives, allowances and Central Provident Fund contributions.

(2) Other benefits refers to allowance.

REPORT ON **CORPORATE GOVERNANCE**

For avoidance of competition, neither the breakdown in terms of dollar of each key management personnel nor the upper limit of highest remuneration band is disclosed. This is to impede solicitation of key management personnel by the Group's competitors.

Immediate Family Member of Directors and CEO

Besides Mr Tan Guan Liang, who is the son of Dr Tan Pang Kee, the Chief Executive Director/Managing Director ("**CEO/MD**") of the Company, whose remuneration is disclosed above, Mr Tan Pang Sim (brother of CEO/MD), and Mr Pang Jang (brother of CEO/MD) and Madam Lim Kooi Yee (daughter-in-law of CEO/MD and wife of director, Mr Tan Guan Liang) were also earning in excess of $50,000 for the FY2018, where their remuneration was in the band of $50,000 to $100,000.

The basis of determining the remuneration of the related employees is the same as the basis of determining the remuneration of other unrelated employees.

No termination, retirement and post-employment or other long-term incentives have been granted to the directors or key management personnel during the financial year ended 31 December 2018.

Approved by Shareholders

Directors' fees are approved by shareholders at the Annual General Meeting. The remuneration framework for executives and executive directors has been approved by the RC and endorsed by the Board. The Board considers that the remuneration framework does not need to be approved by the shareholders.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). The Company disseminates half-year and full-year financial results and other related material information of the Group to Shareholders via announcements to the SGX-ST.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules.

The Company has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules, in accordance with Rule 720(1) of Catalist Rules.

REPORT ON **CORPORATE GOVERNANCE**

Principle 11: Risk Management and Internal Controls

Risk Management

The Company has devised a framework for prudent and effective controls which enable risks to be properly assessed and managed.

During the year, the AC discussed the findings of the External Auditors and Internal Auditors arising from their respective reviews of the system of internal controls that address critical and significant financial, operational, information technology and compliance risks.

Internal Controls

Our Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The Board has engaged the services of an independent accounting and auditing firm, Nexia TS Risk Advisory Pte Ltd ("Nexia TS"), as its internal auditors in respect of internal audit services. The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's management throughout the financial year and up to the date of this report, provide reasonable, but not absolute, assurance in the safeguarding of assets, compliance with relevant legislations, identification and containment of business risks, and against material financial misstatements or loss.

Therefore, with the concurrence of the AC, the Board is of the opinion that current internal controls are adequate in addressing financial, operational, compliance and IT risks, while noting that no system of internal control could provide absolute assurance against the occurrence of errors, fraud or other irregularities.

For FY2018, the Board also confirms it has received assurance from the CEO and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) regarding the effectiveness of the company's risk management and internal control systems.

The AC and Management will continually assess the adequacy and effectiveness of the risk management framework and processes, and focus on improving the standard of internal controls as well as corporate governance. It has engaged Nexia TS to review its risk management framework and help the Board to assess the rating of each risk after considering the control procedures that are in place to mitigate those risks.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC, internal auditors and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

REPORT ON **CORPORATE GOVERNANCE**

Principle 12: Audit Committee ("AC")

The AC comprises the following members, three (3) of whom are Independent Directors:

Dr John Chen (Chairman)
Mr Foo Der Rong
Mr Wang Dao Fu

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC, which has written terms of reference, performs delegated functions:

Internal Controls

(a) (i) Ensure that arrangement is made for the review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management, particularly to comply with Catalist Rule 1204(10), at least annually;

(ii) Review of internal audit report;

External Audit

(b) Review the audit plans of the external auditors;

(c) Review the external auditors' consideration of the system of internal accounting controls relevant to the entity's preparation of financial statements;

(d) Review the external auditors' management letter and response from the Company's management;

(e) Review the scope and results of the external audits and their cost effectiveness;

(f) Nominate external auditors for re-appointment;

The Company confirms its compliance with Catalist Listing Rules 712, 715 and 716 in relation to its auditing firms in respect of FY2018.

Financial Statements

(g) Review the financial statements of the Company and the Group before submission to the Board. The AC has with support from Ernst & Young as the external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

Set out below are the areas considered to be most key audit matters: -

- Impairment of trade receivables;

REPORT ON **CORPORATE GOVERNANCE**

- Allowance for slow-moving and obsolete inventories; and
- Impairment assessment of property, plant and equipment and land use rights

The AC considered the approach and procedures adopted by the external auditor during their course of audit field work, sufficient and appropriate. The AC reviewed Management's assumption on the recoverability of the receivables, the assessment on inventory obsolescence and the impairment assessment of property, plant & equipment, is in agreement with the external auditor that no further impairment triggers were identified in the year.

Following the review and discussions, the AC recommended to the Board to approve the full year financial statement.

Compliance with the Laws and Regulations

(h) Review transactions falling within the scope of the Catalist Rules, in particular matters pertaining to interested person transactions and acquisitions and realisations as laid down in the Catalist Rules;

(i) Generally, undertake such other functions and duties as may be required by statute, the Catalist Rules or the Code, and by such amendments made thereto from time to time;

Others

(j) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC is authorised by the Board to:

(a) review half-yearly and annual financial statements and auditors' report of the Group before submitting to the Board;

(b) review the audit plans of external auditors of the Company and ensure the adequacy of the Group's system of accounting and the co-operation given by the Company's Management to the external auditors;

(c) review all non-audit services provided by the external auditors to the Group to ensure that the nature and extent of such services would not affect the independence of the external auditors;

(d) review internal audit report;

(e) investigate any matter within its terms of reference;

(f) seek information it requires from any employee and all employees are directed to co-operate with any requests made by the AC;

(g) if it deems appropriate, seek the professional advice of external consultants;

(h) invite such persons (e.g. director, executive officer) to attend its meeting;

REPORT ON **CORPORATE GOVERNANCE**

(i) make recommendation to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and

(j) review interested person transactions in accordance with the requirements of the Catalist Rules.

The AC also meets with external and internal auditors without the presence of the Management at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there is any material weakness in control effectiveness in the Group's financial reporting and operation systems.

INDEPENDENCE OF AUDITORS

Noted that besides performing the statutory audit of the Company's annual accounts, Ernst & Young LLP, has been engaged to provide tax services (non-audit services) to the Company.

The audit and non-audit services that were rendered by the auditors, Ernst & Young LLP, to the Group and their related fees for FY2018 are as follows:

	S$'000	**%**
Audit fees	75	89.29
Non-audit fees	9	10.71
Total	**84**	**100.00**

The AC has reviewed the said fees and in view that Ernst & Young LLP's fee in relation to the non-audit services is less than 50% of the total audit fee, the AC forms the opinion that Ernst & Young LLP's independence as auditors would not be affected by their provision of the non-audit services.

CODE OF CONDUCT

The Directors and employees of the Company are required to observe, uphold and maintain high standards of integrity and properly in carrying out their roles and responsibilities, and to comply with applicable laws and regulations.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure proper investigation of such matters and for appropriate follow up action, once the investigation has been concluded, the Investigation Officer must report the outcome of the investigation (including any recommendations for improvement) to the Monitoring Officer who will keep a central register of all complaints.

For FY 2018, there were no reported incidents pertaining to whistle blowing.

REPORT ON **CORPORATE GOVERNANCE**

Principle 13: Internal Audit

Nexia TS is currently engaged as the internal auditors of the Group and report directly to the Chairman of AC on audit matters and to the CEO on administrative matters. The internal auditor has full access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditor is guided by the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. The AC review the adequacy and effectiveness of the internal audit function annually. AC approves the hiring, removal and evaluation and compensation of the IA.

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective. The AC has reviewed the annual internal audit plan for FY2018.

The AC is satisfied that the internal auditors has adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis so as to facilitate Shareholders' ownership rights. The Company reckons that the release of timely and relevant information would enable Shareholders to make informed decisions in respect of their investments in the Company. Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is promptly disseminated on a comprehensive, accurate and timely basis via SGXNET to all Shareholders and is available to the public in general. Similarly, half yearly, full year results and annual reports announced or issued within the mandatory period are also released through the SGXNET.

All Shareholders are entitled to attend the Annual General Meeting ("**AGM**") and are accorded the opportunity to participate effectively in the AGM. The Company's Constitution allows a member of the Company to appoint not more than two proxies to attend and vote in the Shareholders' place at the AGM. The Company is not implementing absentia-voting methods such as by mails, e-mails or fax until security, integrity; legislative recognition of electronic voting and other pertinent issues are satisfactory resolved.

REPORT ON **CORPORATE GOVERNANCE**

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

The Board is mindful of the obligation to provide regular, effective and fair communication to shareholders. Information is communicated to the Shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all others as soon as possible. The Board provides shareholders with an assessment of the Company's performance, position and prospect on a half-yearly basis via half-yearly announcement of results and other ad hoc announcement as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and other information is accessible at the Company's website.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. There is no dividend payment to Shareholders for FY2018 as the Group is not profitable as well as in view of funding needs for future business developments and expansion.

Principle 16: Conduct of Shareholder Meetings

The Company recognises the effective communication can highlight transparency and enhance accountability to its Shareholders. The AGM of the Company is a principal forum for dialogue and interaction with all Shareholders. The Board encourages active Shareholders participation in general Shareholder meetings, including AGM and Extraordinary General Meetings. The Board welcomes the views of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an ad hoc basis. Shareholders are informed of Shareholders' meetings through notices published in the newspaper and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the Board Committees are normally available at the meeting to answer those questions relating to the work of the Board Committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Additionally, the Company prepares minutes of general meetings, which are made available to Shareholders upon their request. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Board allows all Shareholders to exercise its voting rights by participation and voting at general meetings.

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

The Company's Constitution allows a member of the Company to appoint one or two proxies to attend and vote at its general meetings.

The Company holds its Shareholders' meetings onsite at its premises in order to provide Shareholders with greater opportunity to understand the Company's business operations.

REPORT ON **CORPORATE GOVERNANCE**

MATERIAL CONTRACTS

The Group does not have material contracts involving the interest of the CEO, each director or controlling shareholder either still subsisting at the end of the FY 2018 or it not then subsisting, entered into since the end of the previous financial year.

DEALING IN SECURITIES

The Company has adopted and implemented an internal code of conduct which prohibits the directors, key executives and their connected persons from dealing in the Company's shares during the "black-out" period – being one month immediately preceding the announcement of the Company's half-year and full-year results. Further, an officer of the Company should not deal in the Company's securities on short-term considerations. This has been made known to directors, officers and staff of the Company. It has been highlighted that to deal in the Company's securities as well as securities of other listed companies when the officers (directors and employees) are in possession of unpublished material price sensitive information in relation to those securities is an offence and the law on insider trading is applicable at all times.

INTERESTED PERSON TRANSACTIONS

There is no general mandate from Shareholders for interested person transactions. The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis. The Company confirms that there were no interested person transactions of more than S$100,000 during the financial year under review.

NON-SPONSOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the financial year under review.

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 MARCH 2019

SHARE CAPITAL

Paid-Up Capital	:	23,406,449.99
Class of Shares	:	Ordinary Shares
Voting Rights	:	On the poll: one vote per share

TREASURY SHARES

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 – 99	36	3.84	287	0.00
100 – 1,000	100	10.66	96,510	0.04
1,001 – 10,000	281	29.96	1,693,000	0.63
10,001 – 1,000,000	489	52.13	68,691,962	25.69
1,000,001 AND ABOVE	32	3.41	196,910,561	73.64
TOTAL	**938**	**100.00**	**267,392,320**	**100.00**

SUBSTANTIAL SHAREHOLDINGS AS AT 19 MARCH 2019

NAME OF SUBSTANTIAL SHAREHOLDER	NUMBER OF SHARES REGISTERED IN THE NAME OF THE SUBSTANTIAL SHAREHOLDER	NUMBER OF SHARES IN WHICH SUBSTANTIAL SHAREHOLDER IS DEEMED TO HAVE AN INTEREST	TOTAL	PERCENTAGE (%)
TAN PANG KEE	58,343,000	–	58,343,000	21.82%
TAN GEOK BEE	40,000,000	–	40,000,000	14.96%

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 MARCH 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	TAN PANG KEE	58,343,000	21.82
2	TAN GEOK BEE	40,000,000	14.96
3	UOB KAY HIAN PRIVATE LIMITED	9,540,000	3.57
4	CHUA GEOK KOON	9,170,000	3.43
5	TAN EE SOON	8,337,582	3.12
6	PHILLIP SECURITIES PTE LTD	7,266,000	2.72
7	PAUL GO KIAN LEE	6,893,000	2.58
8	RAFFLES NOMINEES (PTE.) LIMITED	4,709,900	1.76
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,739,000	1.40
10	TAN HOCK SOON	3,386,332	1.27
11	TAN SOON HENG	3,386,332	1.27
12	TAN SOON LAI	3,386,332	1.27
13	TAN YAM SOON	3,386,332	1.27
14	TAN CHAI CHIN	3,370,688	1.26
15	LOW KOK SOON	3,259,000	1.22
16	LEE KANG HUAT	3,000,000	1.12
17	OCBC SECURITIES PRIVATE LIMITED	2,309,163	0.86
18	CHUA WEE SIM	2,060,000	0.77
19	ONG GIM LOO	2,051,000	0.77
20	SIM TECK HUAT	2,040,000	0.76
	TOTAL	**179,633,661**	**67.20**

PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the company as at 19 March 2019, approximately 62.96% of the issue ordinary share of the Company is held by the public and therefore, Rule CR 723 of Catalist Listing Manual issued by Singapore Exchange Securities Trading Limited has accordingly been complied with.

NOTICE OF TWENTY-NINTH **ANNUAL GENERAL MEETING**

Notice is hereby given that the Twenty-Ninth Annual General Meeting ("**AGM**") of the Company will be held at 47 Ayer Rajah Crescent, #05-10 Singapore 139947 on Monday, 29 April 2019 at 3.00 p.m. to transact the following business: -

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditors' Report thereon. **[Resolution 1]**

2. To re-elect Dr Tan Pang Kee who is retiring pursuant to Rule 720(4) of the Catalist Rules of SGX-ST. **[Resolution 2]**

   Note: Dr Tan Pang Kee is the Managing Director and Chief Executive Officer of the Company he will, upon re-election as a Director of the Company, remain as the Managing Director and Chief Executive Officer.

3. To re-elect Dr John Chen Seow Phun who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 3]**

   Note: Dr John Chen Seow Phun, if re-elected, will remain as Non-Executive Chairman and Independent Director, Chairman of the Audit committee and member of Nominating committee and Remuneration committee and will be considered as an independent director.

4. To approve a sum of up to S$147,000 as directors' fees for the year ending 31 December 2019, to be paid quarterly in arrears. (2018: S$147,000) **[Resolution 4]**

5. To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**

NOTICE OF TWENTY-NINTH **ANNUAL GENERAL MEETING**

Special Business

6. To consider and if thought fit, to pass the following resolution as ordinary resolution, with or without modification:–

Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited

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

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

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

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

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

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

provided that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF TWENTY-NINTH **ANNUAL GENERAL MEETING**

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

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

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution provided the options or awards were granted in compliance with the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

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

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

[See Explanatory Note] **[Resolution 6]**

7. To transact any other business that may be properly transacted at an Annual General Meeting.

By Order of the Board

Dr Tan Pang Kee
Chief Executive Officer/Managing Director

Singapore
12 April 2019

NOTICE OF TWENTY-NINTH **ANNUAL GENERAL MEETING**

Explanatory Note:

The **Ordinary Resolution 6**, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis shareholders.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 47 Ayer Rajah Crescent, #05-10 Singapore 139947, not less than 48 hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

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

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

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

NOTICE OF TWENTY-NINTH **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 AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist The Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor are Mr Jason Chian, Managing Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

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MATEX INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198904222M

PROXY FORM

(Please see notes overleaf before completing this Form)

ANNUAL GENERAL MEETING

IMPORTANT:
1. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investor") may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the relevant SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ NRIC/Passport/Co. reg. No. ________________

Of ____

being a member/members of MATEX INTERNATIONAL LIMITED hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her/them*, the Chairman of the Annual General Meeting (the "**Meeting**"), as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Meeting of the Company to be held at 47 Ayer Rajah Crescent, #05-10 Singapore 139947 on Monday, 29 April 2019 at 3.00 p.m., and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

No.	Ordinary Resolutions	No. of votes 'For'*	No. of votes 'Against'*
	Ordinary Business:		
1.	Directors' Statement and Audited Financial Statements for financial year ended 31 December 2018		
2.	Re-election of Dr Tan Pang Kee as a Director		
3.	Re-election of Dr John Chen Seow Phun as a Director		
4.	Approval of Director' fees up to S$147,000 for financial year ending 2019, to be paid quarterly in arrears		
5.	Re-appointment of Ernst & Young LLP as auditors and authority to fix their remuneration.		
	Special Business:		
6.	Authority to issue shares		

* If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ________________ 2019.

____

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

Total Number of Shares Held:

MATEX INTERNATIONAL LIMITED
PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to 2 proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints 2 proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Ayer Rajah Crescent, #05-10 Singapore 139974 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors (collectively "**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 (as may be applicable) to appoint the Chairman of the Meeting to act as their proxy, in which case, the relevant CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

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

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

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated **12 April 2019**.

General:

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

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OUR GLOBAL **PRESENCE**

Matex International Limited
万得国际有限公司

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