

SUZHOU HOTEL  
UNVEILS ITSELF

---

A BRAND NEW LOOK

---

CHECK-IN  
TO THE NOVOTEL  
EXPERIENCE



## CONTENTS

1	CORPORATE PROFILE
2	CHAIRMAN'S STATEMENT
6	FINANCIAL HIGHLIGHTS
7	LIST OF SUBSIDIARIES
7	LIST OF ASSOCIATE
8	BOARD OF DIRECTORS
10	KEY MANAGEMENT
11	CORPORATE INFORMATION
12	FINANCIAL CONTENTS

Incorporated in Singapore in 1979, we are engaged in property development and investment, hotel; and PVC pipes and fittings businesses. Our shares are listed on the main board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

We own two investment properties in China: (i) San Teh Commercial Plaza at Shanghai Anting (the “Shanghai Plaza”), which comprises a commercial building, a shopping mall and a Small Office/Home Office (“SOHO”) apartment building, with a total lettable area of approximately 45,500 sqm; and (ii) a shopping mall at Jiangsu Nantong with a total lettable area of approximately 9,100 sqm.

We are engaged in property development in Fujian Anxi and Yunnan Heqing.

We own an integrated resort located along the famous Lake Taihu in Suzhou with a land area of approximately 65,000 sqm. The hotel, which is operated under the name of Novotel Suzhou Tai Lake Santeh Hotel, is a resort-styled hotel with facilities and attractions including outdoor traditional Chinese medicine spa garden, modern agricultural farm, garden wedding compound, outdoor adventure compound and children playground.

We are in the process of renovating our Nantong Hotel. The hotel will be upgraded and to be operated under the Mercure brand. We expect the hotel to commence operation by end of 2019.

We have a factory in Jiangsu Nantong to manufacture U-PVC and PP-R pipes and fittings for use in the building, sewage, water supply and telecommunications sectors.



Shanghai, Shanghai San Teh Xing Real Estate Co., Ltd  
上海, 上海三德兴房地产有限公司



Jiangsu, SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd  
江苏, 三德管业(南通)有限公司



Jiangsu, Suzhou San Teh Hotel Co., Ltd  
江苏, 苏州三德大酒店有限公司

## CHAIRMAN'S STATEMENT



Kao Chuan Chi  
Executive Chairman

### Dear Shareholders,

Revenue of the Group decreased by \$1.7 million from \$18.5 million in 2017 to \$16.8 million in 2018 because the decline in revenue recorded in the PVC pipes and fittings operation outweighed the improvement in performance of the hotels and properties operation. Notwithstanding that gross profit has improved by \$1.9 million over 2017 principally because of the higher contribution from our Shanghai property operation, net loss of the Group increased from \$3.8 million in 2017 to \$9.2 million in 2018 due mainly to: (i) write-down of property under development in Dali of \$2.6 million, (ii) compensation for work stoppages of \$1.7 million in connection with the litigation proceedings with the main contractor for the property development project in Dali; and (iii) net decrease in gain from investments and exchange difference of \$3.1 million.

### PERFORMANCE REVIEW

#### Hotels and Properties Operation

Hotels and properties operation reported an increase in revenue of \$2.5 million from \$3.9 million in 2017 to \$6.4 million in 2018 due mainly to the higher revenue contributed by the shopping mall at Shanghai Plaza. Loss of the operation, however, increased by \$3.4 million to \$7.1 million due mainly to the write-down of property under development and the compensation for work stoppages as mentioned above.

#### PVC Pipes and Fittings Operation

Revenue of the PVC pipes and fittings operation decreased from \$14.7 million in 2017 to \$10.3 million in 2018 due to weaker market conditions. Consequently, the operation reported a loss of \$0.9 million in 2018 as compared to a profit of \$0.2 million.

#### Others

Gain from investments decreased significantly by \$3.8 million because the Group in 2017 realised a gain on disposal of other financial assets of \$1.8 million, recorded a net fair value gain on other financial assets of \$1.7 million and earned higher interest income by \$0.4 million.

The Group sustained an exchange loss of \$0.7 million owing to the weakening of the Renminbi against the US dollar. In the previous year, the exchange loss was \$1.4 million.

## BUSINESS REVIEW

### Hotels and Properties Operation

Since the re-launch of our shopping mall at Shanghai Plaza in December 2017, the Group has made good progress in attracting new tenants, including one of our key tenants, Haidilao (“海底捞”), a popular hotpot restaurant. The occupancy rate of the shopping mall at Shanghai Plaza is now at approximately 88%, up from 80% at the end of 2017.

A significant event of the Group in the year under review is the completion of redevelopment of our Suzhou hotel to unlock the vast potential of the hotel site, which is located along the famous Lake Taihu in Suzhou with a land area of approximately 65,000 sqm. After an extensive make over, our Suzhou hotel was soft-launched in January 2019 under the new name: Novotel Suzhou Tai Lake Santeh Hotel. The hotel which is operated under the Novotel franchise is a resort hotel with facilities and attractions including outdoor traditional Chinese medicine spa garden, modern agriculture farm, garden wedding compound, outdoor adventure compound and children playground.

On the Nantong hotel, the Group has recently signed a hotel management contract for the other party to manage the hotel under the Mercure brand. Pursuant to the contract, the hotel is required to carry out certain renovation and improvement works to meet the requirements under the Mercure franchising agreement. These works are expected to start in the second quarter of 2019 and initial operation of the hotel is targeted to commence by end of the year. Owing to the challenging market conditions, the progress in securing tenants for the shopping mall at the Nantong hotel building has been slow.

The Group has resolved the litigation proceeding initiated by the main contractor of its property development project in Dali with the payment of compensation for work stoppages of \$1.7 million. The Group carried out a cursory review of the status of the project after it had repossessed the construction site following the resolution and made a write-down of property under development of \$2.6 million mainly pertaining to design fees and pre-development costs.

Other than the ongoing arbitration proceeding between our Nantong hotel and its previous lessee for the hotel building, all litigation proceedings against the Group have been resolved in 2018.

### PVC Pipes and Fittings Operation

The Group expects its PVC pipes and fittings operation to continue to face difficult business environment due to keen competition and the rising costs of raw materials.

## DIVIDENDS

The economic growth in China is expected to slow down further in 2019 and the trade tensions between China and the United States have weakened business confidence considerably. These, coupled with the need to preserve adequate financial resources to meet operational and development requirements, our directors have decided not to declare a dividend for the year ended 31 December 2018.

## FOR THE YEAR AHEAD

Our main tasks for the immediate future are to: (i) build up the business at our Novotel Suzhou Tai Lake Santeh Hotel and shorten the start-up gestation period which usually takes two to three years, (ii) re-launch our Nantong hotel operation under Mercure brand name, (iii) conduct a detailed review of our property project in Dali and decide on the best course of action going forward; and (iv) pursue prudently investment opportunities in the hotel and property sector in the Asia Pacific region.

## ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank our shareholders and business associates for their continued support amidst the challenging business environment. Last but not least, I would like to express my appreciation to our staff, management and Board of Directors for their commitment and contributions.

### Kao Chuan Chi

Executive Chairman  
March 2019

## 主席献词

### 各位股东：

集团营业额从2017年的1,850万元减少170万元至2018年的1,680万元，这是因为PVC管材与管件业务营业额的下跌超出了酒店与房地产业务业绩的改善。尽管来自上海房地产业务的营业额的贡献使得毛利比2017年增加190万元，集团净亏损从2017年的380万元增至2018年的920万元，主要原因为：(i)对大理的开发中房地产计提260万元的跌价准备；(ii)与大理房地产开发项目的主承包商诉讼而产生的停工损失赔偿款170万元；及(iii)出售其他金融资产收益与汇兑损益净减少310万元。

### 业绩回顾

#### 酒店与房地产业务

酒店与房地产业务营业额从2017年的390万元增加250万元至2018年的640万元，主要来自上海安亭的三德商务广场(“上海广场”)商场的贡献。然而，该业务的营业亏损增加340万元至710万元，主要由于以上提到的开发中房产的跌价准备和停工损失赔偿。

#### PVC 管材与管件业务

由于市场较疲弱，PVC管材与管件业务营业额从2017年的1,470万元减至2018年的1,030万元。因此，与2017年报20万元盈利相比，该业务2018年报亏损90万元。

#### 其他

投资收益减少380万元，是因为2017年集团出售其他金融资产实现180万元收益，公允价值收益报170万元及利息收入多40万元。

集团报70万元的汇兑亏损由于人民币兑美元贬值。去年，汇兑亏损报140万元。

### 业务回顾

#### 酒店与房地产业务

自2017年12月位于上海广场的商场重新开业，集团在吸引新租户方面取得良好的进展。新租户包括我们主要租户之一的海底捞，一家广受欢迎的火锅店。上海广场的商场出租率由2017年底的80%升至目前约88%。

集团本年度重大事项是我们位于著名的太湖之滨占地约65,000平方米的苏州酒店完成重建工程，以释放其因地理优势而带来的巨大潜力。经过大规模改造后，我们的苏州酒店于2019年1月以新名字苏州太湖三德诺富特酒店开始试营业。该酒店为一家以诺富特品牌特许经营的度假酒店，同时设有户外花园中药理疗池、科技农业种植区、草坪婚宴场地、户外拓展中心和儿童游乐场。

至于南通酒店，集团最近签订酒店管理合约让其以美居的品牌经营。根据美居的特许经营合约，酒店须进行若干翻新和改造工程。工程预计将于2019年第二季开始并在年底前开始营业。由于市场环境充满挑战，南通酒店大楼内的商场招徕新租户的进度缓慢。

集团涉及与大理房地产开发项目主承包商的诉讼已了结并已支付停工损失赔偿金170万元。集团在案件了结及收回工地后对该项目的现况进行了审查并对开发中房地产提取了以设计费和前期费用为主的260万元跌价准备。

除了南通酒店和前酒店大楼租户的仲裁还在进行中，集团所有的诉讼已经在2018年了结。

### PVC 管材与管件业务

集团预期PVC管材与管件业务将继续面对激烈竞争和原材料价格高涨的严峻经营环境。

### 股息

2019年中国经济增长预期将进一步放缓，且中美之间的贸易紧张局势显著削弱了商业信心。再加上必须保留足够的资金满足营运和发展的需要，董事们决定截止2018年12月31日的财务年度不派发股息。

### 展望

集团当前主要任务是：(i)提升苏州太湖三德诺富特酒店业务和缩短通常需要2-3年的爬坡期；(ii)重新

推出以美居品牌营运的南通酒店；(iii)详细审查我们在大理的房地产项目并决定今后的最佳发展方向；及(iv)审慎地寻求在亚太地区酒店和房地产的投资机会。

### 致谢

我要感谢我们的股东和商业伙伴在这富有挑战性的经营环境下的不懈支持。最后我也要感谢我们的员工、管理层和董事局的辛劳和贡献。

执行主席

高铨志

2019年3月

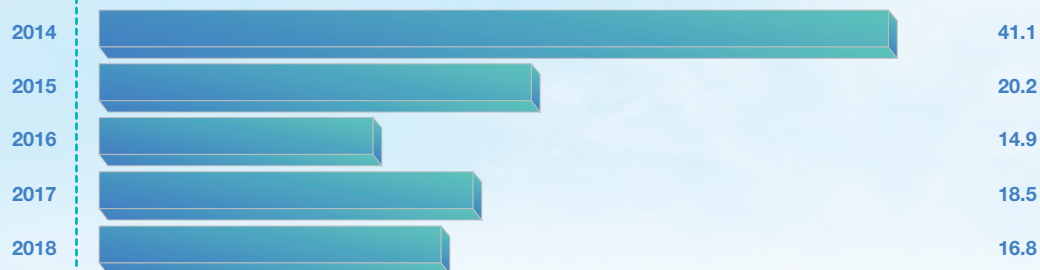


Jiangsu, Suzhou San Teh Hotel Co., Ltd  
江苏，苏州三德大酒店有限公司

# FINANCIAL HIGHLIGHTS

## REVENUE

(S\$ million)



## LOSS BEFORE TAX

(S\$ million)



## SHAREHOLDER'S INTEREST

(S\$ million)



## LOSS PER SHARE

(Cents)





## LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2018

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Shanghai San Teh Xing Real Estate Co., Ltd	No. 5533 Cao'an Road Anting Town Jiading District Shanghai The People's Republic of China 201805	Tel: 86-21-5956-0880 Fax: 86-21-5956-0881	100	China
Nantong Santeh Hotel Co., Ltd	No. 1 Duan Jia Ba Road Nantong Jiangsu Province The People's Republic of China 226006	Tel: 86-513-8512-3899 Fax: 86-513-8559-1499	100	China
SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd	No. 9 Guangzhou Road Nantong Economic & Technological Development Zone Nantong Jiangsu Province The People's Republic of China 226009	Tel: 86-513-8598-9666 Fax: 86-513-8598-9665	100	China
Suzhou San Teh Hotel Co., Ltd	No. 3888 Huantaihu Road Xukou Town Wuzhong District Suzhou Jiangsu Province The People's Republic of China 215164	Tel: 86-512-6598-8188 Fax: 86-512-6598-8099	100	China
San Teh Xing (Xiamen) Trade Co., Ltd	#06 Tong Ji Building No. 99 Huli Road Xiamen Fujian Province The People's Republic of China 361006	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China
Fujian San Teh Xing Industrial Co., Ltd	No. 223 Zhanghao Road #02-207 Huli District Xiamen Fujian Province The People's Republic of China 361000	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China
Yunnan San Teh Industrial Co., Ltd	C-2-202 Jinse Junyuan Shizha Lijiaoqiao Panlong District Kunming Yunnan Province The People's Republic of China 650000	Tel: 86-871-6313-9887 Fax: 86-871-6313-9887	100	China
Dali San Teh Xing Real Estate Co., Ltd	No. 21 Shuanglong Road Lanyuanjinzhen Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	95	China
San Teh Xing Real Estate (Fujian) Co., Ltd	Yuantan Anzhi Xiaoku Anxi Fujian Province The People's Republic of China 362400	Tel: 86-595-2323-3988 Fax: 86-595-2327-3799	75	China

## LIST OF ASSOCIATE AS AT 31 DECEMBER 2018

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Dali San Teh Coal Industry Co., Ltd	Jindunxiang Hedicon Ganhaizi Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	38	China

## BOARD OF DIRECTORS



### **MR KAO CHUAN CHI**

Mr. Kao Chuan Chi joined the Group in 1998 and had held several managerial positions before being appointed as an Executive Director of San Teh Ltd on 1 March 2006. He resigned on 31 December 2007 to pursue further studies overseas and rejoined the Company on 13 July 2009 after graduating with an MBA Post Graduate Diploma from HTMi Hotel and Tourism Management Institute Switzerland. Mr. Kao was appointed as Executive Chairman cum Chief Executive Officer of the Company on 1 September 2014. He is also a member of the Nominating Committee. He is responsible for the overall management, strategic direction and business development of the Group.



### **MR KAO CHUAN TRONG**

Mr. Kao Chuan Trong joined the Group in 2002 after graduating from the University of Oregon with a degree in Management. He was appointed as an Executive Director of the Company on 31 December 2007. Mr. Kao is the chairman and deputy chairman of several subsidiaries of the Group. He was appointed as Managing Director of the Company on 1 March 2011. He currently oversees the operation of the Group.



### **MRS KAO CHING FONG NEE PAN**

Mrs. Kao Ching Fong nee Pan joined San Teh Ltd in 1983 with several years of experience in accounting. She is the Executive Director responsible for the finance and administration of the Group.



### **MR GUI KIM YOUNG @ GUI KIM GAN**

Mr. Gui Kim Young @ Gui Kim Gan is a Non-executive and an Independent Director of the Company since 1998. He is a practising member of the Institute of Singapore Chartered Accountants and is a director of a public accounting corporation. Mr. Gui chairs both the Audit and the Remuneration Committees. He is also a member of the Nominating Committee. Mr. Gui holds a degree in Bachelor of Commerce from the then Nanyang University.



### **MR CHUANG WEN FU**

Mr. Chuang Wen Fu joined San Teh Ltd in 1982 and retired as its Managing Director in 1999. He has been a Director of the Company since 1982. Mr. Chuang is a Non-executive and an Independent Director of the Company. He chairs the Nominating Committee and is a member of the Audit Committee and the Remuneration Committee. Mr. Chuang holds a diploma in Science (Survey Engineering) from Tamkang University in Taiwan. He is the executive chairman of Memtech International Ltd, a company listed on the SGX-ST.



### **MR KO CHUAN AUN**

Mr. Ko Chuan Aun is a Non-executive and an Independent Director of the Company since 16 August 2010. He is a member of the Audit Committee and Remuneration Committee. Mr. Ko has more than 15 years of working experience with the then Trade Development Board of Singapore ("TDB") (now known as Enterprise Singapore). His last appointment with the then TDB was head of China operations. In the past 29 years, Mr. Ko has been very actively involved in business investments in the PRC market. He was once appointed as the steering committee member of the Network China. In addition, he was once served as the chairman of the tourism sub-committee under the Singapore-Sichuan Trade & Investment Committee as well as Investment Advisor to the Fushun Foreign Trade & Economic Co-operation Bureau. Mr. Ko also holds chairmanships and directorships in various private and public companies. He is an independent director of Koon Holdings Ltd, KSH Holdings Ltd, Lian Beng Group Ltd and Pavillon Holdings Ltd. Mr. Ko holds a diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme.

## KEY MANAGEMENT



### **DAI YU FENG**

**GENERAL MANAGER, SANTEH PIPES & FITTINGS INDUSTRY (NANTONG) CO., LTD**

Mr. Dai is responsible for the Group's PVC pipes and fittings operation. He was in marketing field for several years before joining the Group in 2003. He holds a degree in Bachelor of Arts majoring in Economics from the CSU Fullerton University of California.

### **LIM WEE TZIANG**

**CHIEF FINANCIAL OFFICER, SAN TEH LTD**

Mr. Lim joined the finance division of the Group in 2001. He started his career in public accounting and has work experience in the finance division of a public listed company in Singapore. Mr. Lim is a non-practising member of the Institute of Singapore Chartered Accountants. He holds a degree in Bachelor of Commerce from University of Otago.

### **CHANG YEN CHUN**

**DEPUTY GENERAL MANAGER, DALI SAN TEH XING REAL ESTATE CO., LTD**

Mr. Chang is responsible for the administration department of the company. He joined the Group in 2008 as Assistant to General Manager and was promoted to the current position in 2013. Mr. Chang holds a degree in Bachelor of Management from Yuan Pei University.

## BOARD OF DIRECTORS

Kao Chuan Chi (Executive Chairman)  
Kao Chuan Trong  
Kao Ching Fong nee Pan  
Gui Kim Young @ Gui Kim Gan  
Chuang Wen Fu  
Ko Chuan Aun

## AUDIT COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)  
Chuang Wen Fu  
Ko Chuan Aun

## NOMINATING COMMITTEE

Chuang Wen Fu (Chairman)  
Gui Kim Young @ Gui Kim Gan  
Kao Chuan Chi

## REMUNERATION COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)  
Chuang Wen Fu  
Ko Chuan Aun

## REGISTERED OFFICE

701 Sims Drive #06-01  
LHK Building  
Singapore 387383  
Tel: 6749 6386  
Fax: 6742 9398  
Company Registration No.: 197901039W

## REGISTRAR AND SHARE TRANSFER OFFICE

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

## COMPANY SECRETARY

Lim Wee Tziang

## AUDITORS

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
8 Wilkie Road #03-08  
Wilkie Edge  
Singapore 228095  
Partner-in-charge: Adrian Tan Khai-Chung  
Appointed with effect from financial year ended  
31 December 2016

## PRINCIPAL BANKERS

RHB Bank Berhad  
Geylang Branch  
537 Geylang Road  
Singapore 389492  
  
Oversea-Chinese Banking Corporation Limited  
65 Chulia Street  
OCBC Centre  
Singapore 049513  
  
United Overseas Bank Limited  
1 Raffles Place  
OUB Centre  
Singapore 048616  
  
Credit Suisse AG  
1 Raffles Link  
#05-02  
Singapore 039393

## FINANCIAL CONTENTS

13	STATEMENT BY DIRECTORS
16	INDEPENDENT AUDITOR'S REPORT
20	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
21	STATEMENTS OF FINANCIAL POSITION
23	STATEMENTS OF CHANGES IN EQUITY
25	CONSOLIDATED STATEMENT OF CASH FLOWS
26	NOTES TO THE FINANCIAL STATEMENTS
83	PORTFOLIO OF PROPERTIES
85	CORPORATE GOVERNANCE REPORT
99	STATISTICS OF SHAREHOLDINGS
101	NOTICE OF ANNUAL GENERAL MEETING
103	ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PROXY FORM

# STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of San Teh Ltd (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2018.

## 1. Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position 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
- (b) At the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. Directors

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

- Kao Chuan Chi (Executive Chairman)
- Kao Chuan Trong
- Kao Ching Fong nee Pan
- Gui Kim Young @ Gui Kim Gan
- Chuang Wen Fu
- Ko Chuan Aun

## 3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

	Direct interest		Deemed interest	
	At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
<b>Company</b>				
Kao Ching Fong nee Pan	33,672,176	34,560,576	87,427,527	87,427,527
Kao Chuan Chi	–	–	102,821,036	102,821,036
Kao Chuan Trong	–	–	102,070,728	102,070,728
Gui Kim Young @ Gui Kim Gan	1,100,000	1,300,000	1,900,000	1,900,000
Chuang Wen Fu	6,146,944	6,146,944	–	–

By virtue of section 7 of the Act, Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi and Mr. Kao Chuan Trong are deemed to have interests in all the related corporations of the Company.

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

## STATEMENT BY DIRECTORS

### 4. Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### 5. Share options

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted.

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

### 6. Audit committee

The members of the Audit Committee ("AC") at the date of this statement are:

- Gui Kim Young @ Gui Kim Gan (Chairman)
- Chuang Wen Fu
- Ko Chuan Aun

All members of the AC are non-executive directors and are independent.

The AC performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent auditor their audit plan;
- Reviewed with the independent auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and Company before their submission to the board of directors for adoption;
- Reviewed the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management through reviews carried out by the internal auditor;
- Met with the independent auditor, other committees and management in separate executive sessions to discuss any matters that these parties believe should be discussed privately with the AC;
- 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 independent auditor;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.



### 6. Audit committee (cont'd)

Other functions performed by the AC are described in the Corporate Governance Report included in the annual report. It also includes an explanation of how independent auditor objectivity and independence are safeguarded where the independent auditor provides non-audit services, if any.

The AC has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next Annual General Meeting of the Company.

### 7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

### 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the independent auditor, and reviews performed by management, other committees of the board and the board, the AC and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

### 9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 28 February 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

---

Kao Chuan Chi  
Director

19 March 2019

---

Kao Chuan Trong  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of San Teh Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 ("SSAs"). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

#### (a) Assessment of impairment of property, plant and equipment and investment properties

Please refer to note 2A on the relevant accounting policies, note 2C on critical judgements, assumptions and estimation uncertainties, and notes 12 and 13 on property, plant and equipment and investment properties, respectively.

The Group owns a number of properties in the People's Republic of China ("PRC"), including hotels, apartments, commercial and office buildings and shopping malls (the "Properties"). The Properties are classified either as property, plant and equipment or investment properties, depending on the usage. The Properties are stated at cost less accumulated depreciation and impairment, and the carrying amount as at 31 December 2018 represents a significant portion of the Group's total assets.

Certain PRC subsidiaries that hold these Properties incurred losses during the year ended 31 December 2018 and, consequently, show indications of impairment. Management performed an impairment assessment of the Properties by comparing the carrying amounts with the recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal. To this end, management has engaged an external valuer to perform an independent valuation of the Properties.

As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity.

In addition, using our internal valuation specialists, the audit team also assessed the valuation methodologies used by the external valuer.

## Key audit matters (cont'd)

### (a) Assessment of impairment of property, plant and equipment and investment properties (cont'd)

Where the income approach was used, the audit team tested the integrity of inputs of the projected cash flows used. The audit team also challenged the growth rates and discount rates used in the computations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, the audit team undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with management.

Where the direct comparison approach was used, the audit team reviewed the reasonableness of comparable sales prices of similar properties in the vicinity used by the external valuer.

### (b) Assessment of net realisable value of properties under development

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 14 on properties under development.

The Group has properties under development in the PRC. These properties under development are measured at the lower of cost and estimated net realisable value, and the carrying amount as at 31 December 2018 represents a significant portion of the Group's total assets.

As set out in note 24, the construction of these properties had been put on hold as the Group was involved in a legal proceeding with the main contractor responsible for the project. Whilst the case has now been concluded, construction has not yet resumed because management has decided to perform a review of the original development plan. Consequently, there is a risk that the carrying amount of the properties under development may not be recovered as a result of these delays and/or review.

Management has engaged an external valuer to perform an independent valuation of the two land parcels classified as properties under development. As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity.

In addition, using our internal valuation specialists, the audit team also assessed the valuation methodologies used by the external valuer. The audit team also researched on the benchmark price of land issued by the relevant local government authorities and performed an independent computation of the fair value of the land parcels. In addition, the audit team also discussed the various options currently being evaluated by management as part of the aforesaid review and critically assessed the net realisable value estimated by management under each option.

### (c) Assessment of impairment of trade receivables

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 20 on trade and other receivables.

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*. Under the new impairment model set out in SFRS(I) 9, credit losses are recognised on an expected credit loss ("ECL") basis.

The ECLs are recognised from initial recognition of the trade receivables and, accordingly, requires management to develop new methodologies involving the use of significant judgements. In estimating the ECLs, the Group developed a matrix that took into account historical credit loss experience for trade receivables and, where relevant, incorporated forward-looking information that reflect management's view of potential future economic conditions.

We have reviewed the allowance matrix developed by the Group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any). In addition, we have also assessed the adequacy of the loss allowance recorded as at end of the reporting year and the disclosures made in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

## *Other information*

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

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

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

## *Responsibilities of management and directors for the financial statements*

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

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

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

## *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

## *Auditor's responsibilities for the audit of the financial statements (cont'd)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 Adrian Tan Khai-Chung.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

19 March 2019

Engagement partner – effective from year ended 31 December 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group	
		2018 \$'000	2017 \$'000
<b>Revenue</b>	4	16,782	18,526
Cost of sales		(13,836)	(17,509)
<b>Gross profit</b>		2,946	1,017
Gain from investments	5	1,419	5,173
Other operating income	6	1,082	1,476
Administrative expenses		(11,891)	(7,516)
Distribution costs		(380)	(481)
Finance costs		(42)	(56)
Foreign exchange losses		(665)	(1,386)
Other operating expenses	7	(1,505)	(1,100)
Share of results of associate		(78)	(75)
<b>Loss before income tax</b>	9	(9,114)	(2,948)
Income tax expense	10	(79)	(868)
<b>Loss for the year</b>		(9,193)	(3,816)
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations, net of tax		(3,067)	(2,433)
Net fair value gain on available-for-sale financial assets		–	2,022
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		–	(1,788)
<b>Other comprehensive loss for the year, net of tax</b>		(3,067)	(2,199)
<b>Total comprehensive loss for the year</b>		(12,260)	(6,015)
Loss attributable to owners of the Company		(9,025)	(4,007)
(Loss)/profit attributable to non-controlling interests		(168)	191
<b>Loss for the year</b>		(9,193)	(3,816)
Total comprehensive loss attributable to owners of the Company		(11,938)	(6,057)
Total comprehensive (loss)/income attributable to non-controlling interests		(322)	42
<b>Total comprehensive loss for the year</b>		(12,260)	(6,015)
<b>Loss per share (cents)</b>			
Basic	11	(2.64)	(1.17)
Diluted	11	(2.64)	(1.17)

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	41,380	30,592	19,437
Investment properties	13	56,258	59,027	69,456
Properties under development	14	31,081	32,913	33,501
Investment in associate	16	198	280	361
Other financial assets, non-current	17	2,249	3,514	6,717
Land use rights	18	8,457	8,989	9,472
Deferred tax assets	10	–	–	168
<b>Total non-current assets</b>		<b>139,623</b>	<b>135,315</b>	<b>139,112</b>
<b>Current assets</b>				
Inventories	19	2,627	2,136	3,491
Prepayments		645	679	400
Trade and other receivables	20	13,301	15,689	22,670
Other financial assets, current	17	9,894	12,328	11,537
Cash and cash equivalents	21	25,434	48,211	43,937
<b>Total current assets</b>		<b>51,901</b>	<b>79,043</b>	<b>82,035</b>
<b>Total assets</b>		<b>191,524</b>	<b>214,358</b>	<b>221,147</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	22	12,138	15,050	14,150
Income tax payable		50	266	271
Other financial liabilities	23	–	1,843	1,329
Provision for litigation	24	69	1,475	1,394
<b>Total current liabilities</b>		<b>12,257</b>	<b>18,634</b>	<b>17,144</b>
<b>Net current assets</b>		<b>39,644</b>	<b>60,409</b>	<b>64,891</b>
<b>Non-current liabilities</b>				
Provision for retirement benefits	25	586	527	468
<b>Total liabilities</b>		<b>12,843</b>	<b>19,161</b>	<b>17,612</b>
<b>Net assets</b>		<b>178,681</b>	<b>195,197</b>	<b>203,535</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	26	71,856	71,856	71,856
Treasury shares	26	(1,929)	(1,929)	(1,929)
Other reserves	27	5,067	8,474	10,524
Retained earnings		101,558	109,834	114,867
		176,552	188,235	195,318
Non-controlling interests		2,129	6,962	8,217
<b>Total equity</b>		<b>178,681</b>	<b>195,197</b>	<b>203,535</b>
<b>Total equity and liabilities</b>		<b>191,524</b>	<b>214,358</b>	<b>221,147</b>

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Company		
	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	1,160	1,237	1,314
Investment properties	13	860	887	914
Investments in subsidiaries	15	148,623	162,157	162,157
Other financial assets, non-current	17	–	2,489	5,674
Other receivables	20	4,387	4,282	–
<b>Total non-current assets</b>		<b>155,030</b>	<b>171,052</b>	<b>170,059</b>
<b>Current assets</b>				
Prepayments		23	24	23
Trade and other receivables	20	21,320	32,045	37,563
Other financial assets, current	17	9,894	12,328	7,057
Cash and cash equivalents	21	14,458	13,057	11,110
<b>Total current assets</b>		<b>45,695</b>	<b>57,454</b>	<b>55,753</b>
<b>Total assets</b>		<b>200,725</b>	<b>228,506</b>	<b>225,812</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	22	348	349	381
Income tax payable		18	102	84
<b>Total current liabilities</b>		<b>366</b>	<b>451</b>	<b>465</b>
<b>Net current assets</b>		<b>45,329</b>	<b>57,003</b>	<b>55,288</b>
<b>Non-current liabilities</b>				
Provision for retirement benefits	25	586	527	468
<b>Total liabilities</b>		<b>952</b>	<b>978</b>	<b>933</b>
<b>Net assets</b>		<b>199,773</b>	<b>227,528</b>	<b>224,879</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	26	71,856	71,856	71,856
Treasury shares	26	(1,929)	(1,929)	(1,929)
Other reserves	27	–	1,239	1,005
Retained earnings		129,846	156,362	153,947
<b>Total equity</b>		<b>199,773</b>	<b>227,528</b>	<b>224,879</b>
<b>Total equity and liabilities</b>		<b>200,725</b>	<b>228,506</b>	<b>225,812</b>

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



# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Note	Attributable to owners of the Company									
	Share capital	Treasury shares	Fair value adjustment reserve	Foreign currency translation reserve	Statutory reserve	Capital reserve	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>										
At 1 January 2017	71,856	(1,929)	1,005	8,361	1,110	48	114,867	195,318	8,217	203,535
Net (loss)/profit for the year	-	-	-	-	-	-	(4,007)	(4,007)	191	(3,816)
<b>Other comprehensive (loss)/income for the year</b>										
Currency translation differences	-	-	-	(2,284)	-	-	-	(2,284)	(149)	(2,433)
Net fair value gain on available-for-sale financial assets	-	-	2,022	-	-	-	-	2,022	-	2,022
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	-	-	(1,788)	-	-	-	-	(1,788)	-	(1,788)
<b>Total comprehensive income/(loss) for the year</b>	-	-	234	(2,284)	-	-	(4,007)	(6,057)	42	(6,015)
Dividends paid	28	-	-	-	-	-	(1,026)	(1,026)	(1,297)	(2,323)
<b>At 31 December 2017 and 1 January 2018</b>	71,856	(1,929)	1,239	6,077	1,110	48	109,834	188,235	6,962	195,197
Adoption of SFRS(I) 9 (note 34)	-	-	(1,239)	-	-	-	2,520	1,281	-	1,281
<b>At 1 January 2018, as adjusted</b>	71,856	(1,929)	-	6,077	1,110	48	112,354	189,516	6,962	196,478
Net loss for the year	-	-	-	-	-	-	(9,025)	(9,025)	(168)	(9,193)
<b>Other comprehensive loss for the year</b>										
Currency translation differences	-	-	-	(2,913)	-	-	-	(2,913)	(154)	(3,067)
<b>Total comprehensive loss for the year</b>	-	-	-	(2,913)	-	-	(9,025)	(11,938)	(322)	(12,260)
Transfers to statutory reserve	-	-	-	-	745	-	(745)	-	-	-
Distributions to non-controlling interests pursuant to capital reduction of subsidiary	-	-	-	-	-	-	-	-	(4,511)	(4,511)
Dividends paid	28	-	-	-	-	-	(1,026)	(1,026)	-	(1,026)
<b>At 31 December 2018</b>	71,856	(1,929)	-	3,164	1,855	48	101,558	176,552	2,129	178,681

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

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Share capital \$'000	Treasury shares \$'000	Fair value adjustment reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Company</b>						
At 1 January 2017		71,856	(1,929)	1,005	153,947	224,879
Net profit for the year		–	–	–	3,441	3,441
<b>Other comprehensive income/(loss) for the year</b>						
Net fair value gain on available-for-sale financial assets		–	–	2,022	–	2,022
Net fair value changes on available-for- sale financial assets reclassified to profit or loss		–	–	(1,788)	–	(1,788)
<b>Total comprehensive income for the year</b>		–	–	234	3,441	3,675
Dividends paid	28	–	–	–	(1,026)	(1,026)
<b>At 31 December 2017 and 1 January 2018</b>		71,856	(1,929)	1,239	156,362	227,528
Adoption of SFRS(I) 9 (note 34)		–	–	(1,239)	1,239	–
<b>At 1 January 2018, as adjusted</b>		71,856	(1,929)	–	157,601	227,528
Net loss for the year		–	–	–	(26,729)	(26,729)
<b>Total comprehensive loss for the year</b>		–	–	–	(26,729)	(26,729)
Dividends paid	28	–	–	–	(1,026)	(1,026)
<b>At 31 December 2018</b>		71,856	(1,929)	–	129,846	199,773

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(9,114)	(2,948)
<b>Adjustments for:</b>		
Amortisation of land use rights	312	320
Depreciation of property, plant and equipment	1,600	1,278
Depreciation of investment properties	2,004	2,344
Reversal of impairment loss on property, plant and equipment	(244)	–
Gain on disposal of property, plant and equipment	(106)	–
Loss on disposal of property, plant and equipment	89	301
Property, plant and equipment written-off	37	60
Dividend income from other financial assets	(330)	(305)
Gain on disposal of other financial assets	(71)	(1,774)
Write-down of properties under development	2,562	–
Provision for retirement benefits	59	59
Provision for litigation	1,678	105
Share of results of associate	78	75
Unrealised foreign exchange losses	62	782
Interest income	(1,076)	(1,430)
Interest expense	42	56
<b>Total adjustments</b>	6,696	1,871
<b>Operating cash flows before changes in working capital</b>	(2,418)	(1,077)
Trade and other receivables and prepayments	(183)	5,783
Inventories	(569)	1,288
Trade and other payables	(4,179)	2,053
Other financial assets	1,011	(869)
<b>Cash flows (used in)/from operations</b>	(6,338)	7,178
Interest paid	(45)	(53)
Income taxes paid	(292)	(705)
<b>Net cash (used in)/from operating activities</b>	(6,675)	6,420
<b>Cash flows from investing activities</b>		
Interest received	1,219	1,696
Purchase of property, plant and equipment	(13,210)	(4,372)
Increase in investment properties	(660)	(1,874)
Proceeds from disposal of property, plant and equipment	322	31
Proceeds from disposal of other financial assets	3,980	5,194
Dividends received from other financial assets	330	305
<b>Net cash (used in)/from investing activities</b>	(8,019)	980
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	–	1,843
Repayment of bank borrowings	(1,798)	(1,307)
Distributions to non-controlling interests pursuant to capital reduction of subsidiary	(4,511)	–
Dividends paid	(1,026)	(1,026)
Dividends paid to non-controlling interests by subsidiary	–	(1,297)
<b>Net cash used in financing activities</b>	(7,335)	(1,787)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(22,029)	5,613
Cash and cash equivalents at beginning of year	48,211	43,937
Effects of exchange rate changes on cash and cash equivalents	(748)	(1,339)
<b>Cash and cash equivalents at end of year (note 21)</b>	25,434	48,211

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 1. General

San Teh Ltd (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars (“SGD” or “\$”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activity of the Company is that of investment holding.

The principal activities of the significant subsidiaries are set out in note 15 to the financial statements.

The registered office and principal place of business of the Company is located at 701 Sims Drive, #06-01 LHK Building, Singapore 387383.

The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are also in compliance with the provisions of the Companies Act, Chapter 50 (the “Act”).

### Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

### Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2C.

### Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and its subsidiaries (the “Group”). The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as fair value through profit or loss financial assets in accordance with SFRS(I) 9.

The Company’s financial statements have been prepared on the same basis and, as permitted by the Act, no statement of profit or loss and other comprehensive income is presented for the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information

### 2A. Significant accounting policies

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

#### Sale of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer generally on delivery of the goods (in this respect, incoterms are considered).

#### Provision of services

Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or, for services that are not significant transactions, revenue is recognised as the services are provided.

#### Sale of development properties

The Group develops and sells residential and commercial projects to customers. Revenue is recognised when the control over a project has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of a project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

If a project has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the project. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

For projects where the Group does not have enforceable right to payment, revenue is recognised only when the completed residential project is delivered to the customers and the customers have accepted it in accordance with the sales contract.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For costs incurred in fulfilling the contract, the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Rental income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

#### Other income

Interest income is recognised using the effective interest method.

Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences; when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to the relevant regulations of the People's Republic of China ("PRC"), the subsidiaries in the PRC have participated in local municipal government social insurance whereby these subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the social insurance to fund their retirement, medical, unemployment and other benefits. The local municipal government undertakes to assume the social insurance obligations of these employees of the Group.

#### Borrowings

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### Foreign currency transactions

The functional currency of the Company is the SGD as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income; and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Freehold properties	–	2%
Leasehold buildings	–	2.5% – 20%
Plant and machinery	–	3.3% – 20%
Motor vehicles	–	10% – 20%
Furniture, fittings and equipment	–	5% – 20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Property, plant and equipment (cont'd)

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

#### Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2.1% – 3%

#### Investment properties

Investment properties are properties (building or part of a building) owned or held under a finance lease 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 sale in the ordinary course of business. After initial recognition at cost including transaction costs the cost model is used to measure the investment properties using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once yearly by manager or external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The annual rate of depreciation is as follows:

Investment properties – 2% – 2.8%

#### Properties under development

Properties under development includes properties being constructed or developed for future use as residential and shop units. The properties are carried at cost less any accumulated impairment losses until construction or development is completed, at which time the properties will be transferred and be accounted for as inventories and investment properties. Cost capitalised include cost of land and other directly related development expenditure. Properties under development are not depreciated.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the "asset"); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with SFRS(I) 3. However the entire carrying amount of the investment is tested under SFRS(I) 1-36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in SFRS(I) 9 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with SFRS(I) 9 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

#### Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

#### Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal and its value in use.

When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i.e., CGU. At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Financial instruments

##### Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Classification and measurement of financial assets

- (i) Financial asset classified as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is: (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

- (ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI")

There were no financial assets classified in this category at reporting year end date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Financial instruments (cont'd)

##### *Classification and measurement of financial assets (cont'd)*

- (iii) Financial asset that is an equity investment classified as measured at FVTOCI

There were no financial assets classified in this category at reporting year end date.

- (iv) Financial asset classified as measured at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

##### *Classification and measurement of financial liabilities*

Financial liabilities are classified as at FVTPL in either of the following circumstances:

- (i) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (ii) The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

#### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

#### Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Fair value measurement (cont'd)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

### 2B. Other explanatory information

#### Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

#### Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

### 2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

#### *Assessment of impairment of property, plant and equipment and investment properties*

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of CGUs, if applicable, is measured based on fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the items affected. The carrying amounts of the specific asset or class of assets at the end of the reporting year affected by the assumption are disclosed in notes 12 and 13 to the financial statements.

#### *Assessment of net realisable value of properties under development*

A review is made to assess declines in net realisable value below cost and a write-down is made against the carrying amount for any such declines. The review requires management to consider the future demand for the assets. In any case, the realisable value represents the best estimate of the recoverable amount and is based on acceptable evidence available at the end of the reporting year and inherently involves estimates regarding future expected realisable value. In general, such an evaluation process requires significant judgement and materially affects the carrying amount at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of properties under development. The carrying amount at the end of the reporting year is disclosed in note 14 to the financial statements.

#### *Assessment of impairment of trade receivables*

Trade receivables are subject to the expected credit loss ("ECL") model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a number of years) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in note 20 to the financial statements.

#### *Fair value of unquoted investments*

If a financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires the selection among a range of different valuation methodologies, and making estimates about expected future cash flows and discount rates. The carrying amount of unquoted investments is disclosed in note 17 to the financial statements.

#### *Income tax*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is the estate of Kao Shin Ping (deceased).

### 3A. Members of a group

Related companies in these financial statements include the members of the Group. Associates also include those that are associates of members of the Group.

### 3B. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed.

The other related party transactions are not significant.

### 3C. Key management compensation

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	1,312	1,306
Employer's contributions to defined contribution plans	55	55
Retirement benefits	59	59

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2018	2017
	\$'000	\$'000
Remuneration of directors of the Company	901	902
Fees to directors of the Company	136	136

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other members of key management.

Further information about the remuneration of individual directors is provided in the corporate governance report.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 4. Revenue

	Group	
	2018	2017
	\$'000	\$'000
Revenue from contracts with customers		
– Sale of goods	10,341	14,676
– Hotel operations	–	9
Rental income	6,441	3,841
	<u>16,782</u>	<u>18,526</u>

The revenue from contracts with customers are recognised based on point in time. All the contracts are less than 12 months. The customers include commercial consumers, individuals and government authorities.

### 5. Gain from investments

	Group	
	2018	2017
	\$'000	\$'000
Interest income from bank deposits	1,008	1,206
Other interest income	68	224
Dividend income from other financial assets	330	305
Net fair value (loss)/gain on other financial assets	(80)	1,664
Gain on disposal of other financial assets	93	1,774
	<u>1,419</u>	<u>5,173</u>

### 6. Other operating income

	Group	
	2018	2017
	\$'000	\$'000
Project income	–	1,060
Gain on disposal of property, plant and equipment	106	–
Reversal of impairment loss on property, plant and equipment	244	–
Reversal of impairment loss on other receivables	205	–
Incentive and allowance income	14	16
Rental income	236	231
Sundry income	277	169
	<u>1,082</u>	<u>1,476</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 7. Other operating expenses

	Group	
	2018 \$'000	2017 \$'000
Depreciation	1,418	1,014
Amortisation	73	75
Bank charges	14	11
	<u>1,505</u>	<u>1,100</u>

## 8. Employee benefits expense

	Group	
	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	3,068	2,764
Contributions to defined contribution plans	422	327
Retirement benefits	59	59
	<u>3,549</u>	<u>3,150</u>

## 9. Loss before income tax

Loss before income tax has been arrived at after charging/(crediting) the following:

	Note	Group	
		2018 \$'000	2017 \$'000
Audit fees			
– Auditors of the Company		190	189
– Other auditors		13	12
Total audit fees		203	201
Cost of inventories recognised as expense	19	7,914	11,186
Depreciation of property, plant and equipment	12	1,600	1,278
Depreciation of investment properties	13	2,004	2,344
Amortisation of land use rights	18	312	320
Employee benefits expense	8	3,549	3,150
Loss on disposal of property, plant and equipment		89	301
Property, plant and equipment written-off		37	60
Reversal of impairment loss on property, plant and equipment	12	(244)	–
Write-down of properties under development	14	2,562	–
Write-down of inventories	19	236	699
Impairment loss on trade receivables	20	105	–
Impairment loss on other receivables	20	47	48
Provision for litigation	24	1,678	105

There were no non-audit fees paid to the auditors of the Company for the years ended 31 December 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 10. Income tax expense

### 10A. Components of tax expense recognised in profit or loss

	Group	
	2018	2017
	\$'000	\$'000
<b>Current tax</b>		
Current tax expense	74	517
Withholding tax	26	224
Adjustments in respect of prior years	(21)	(37)
	<u>79</u>	<u>704</u>
<b>Deferred tax</b>		
Deferred tax expense	–	164
	<u>79</u>	<u>868</u>

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

	Group	
	2018	2017
	\$'000	\$'000
Loss before income tax	<u>(9,114)</u>	<u>(2,948)</u>
Income tax using statutory tax rate of 17%	(1,549)	(501)
Non-deductible expenses	5,423	1,923
Non-taxable items	(4,887)	(1,346)
Tax-exempt income	(19)	(25)
Adjustments in respect of prior years	(21)	(37)
Unrecognised deferred tax assets from unutilised tax losses	1,626	927
Differences in tax rates of entities in other jurisdictions	(520)	(297)
Withholding tax	26	224
	<u>79</u>	<u>868</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 10. Income tax expense (cont'd)

### 10B. Deferred tax assets

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting years:

	Group \$'000
At 1 January 2017	168
Charged to profit or loss	(164)
Foreign exchange adjustments	(4)
At 31 December 2017 and 31 December 2018	–

On 22 February 2008, the State Administration of Taxation of the PRC issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, provision for deferred tax liabilities is required on profits accumulated from 1 January 2008 onwards.

However, as at 31 December 2018, no deferred tax liability has been recognised for withholding tax that would be payable on the undistributed profits of the PRC subsidiaries as the Group has determined that the portion of the undistributed profits of its PRC subsidiaries will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised amounted to approximately \$2,889,000 (31 December 2017: \$3,666,000; 1 January 2017: \$6,404,000) and the deferred tax liability is estimated at approximately \$144,000 (31 December 2017: \$183,000; 1 January 2017: \$320,000), subject to certain conditions being fulfilled.

### 10C. Unrecognised deferred tax assets

Unutilised tax losses for which no deferred tax asset has been recognised are as follows:

	Group	
	2018 \$'000	2017 \$'000
At beginning of year	21,684	20,419
Additions	6,504	3,709
Expired	(3,842)	(2,444)
At end of year	24,346	21,684
Deferred tax assets not recognised	6,086	5,421

Subject to the agreement by the local tax authorities, certain subsidiaries of the Group located in the PRC have the above unutilised tax losses available for offset against future taxable income. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can utilise the benefits. The tax losses in the PRC have a validity period of five years.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 10. Income tax expense (cont'd)

#### 10C. Unrecognised deferred tax assets (cont'd)

The expiry dates of the unutilised tax losses are as follows:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
2017	–	–	2,487
2018	–	3,938	4,007
2019	3,463	3,550	3,612
2020	5,272	5,404	5,499
2021	4,559	4,673	4,814
2022	3,922	4,119	–
2023	7,130	–	–
	<u>24,346</u>	<u>21,684</u>	<u>20,419</u>

### 11. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted loss per share of no par value:

	Group	
	2018 \$'000	2017 \$'000
Loss for the year, net of tax, attributable to owners of the Company used in computation of basic and diluted loss per share	<u>(9,025)</u>	<u>(4,007)</u>
	Group	
	2018	2017
Weighted average number of ordinary shares*	<u>342,024,763</u>	<u>342,024,763</u>
Loss per share (cents)		
– Basic	(2.64)	(1.17)
– Diluted	<u>(2.64)</u>	<u>(1.17)</u>

\* The weighted average number of equity shares takes into account the weighted average effect of changes in treasury shares transactions, if any, during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 12. Property, plant and equipment

	Freehold properties \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital work-in- progress \$'000	Total \$'000
<b>Group</b>							
<b>Cost</b>							
At 1 January 2017	1,361	17,803	14,933	1,742	14,626	–	50,465
Foreign exchange adjustments	–	(300)	(257)	(24)	(250)	–	(831)
Additions	–	–	110	–	16	4,246	4,372
Disposals/write-offs	–	–	(837)	(16)	(166)	–	(1,019)
Transfers from investment properties (note 13)	–	11,006	6,779	–	982	98	18,865
At 31 December 2017	1,361	28,509	20,728	1,702	15,208	4,344	71,852
Foreign exchange adjustments	–	(685)	(507)	(33)	(367)	(106)	(1,698)
Additions	–	62	51	85	11	13,001	13,210
Disposals/write-offs	–	(225)	(631)	(97)	(186)	–	(1,139)
At 31 December 2018	1,361	27,661	19,641	1,657	14,666	17,239	82,225
<b>Accumulated depreciation</b>							
At 1 January 2017	456	5,359	11,563	1,122	11,393	–	29,893
Foreign exchange adjustments	–	(89)	(200)	(15)	(194)	–	(498)
Depreciation for the year (note 9)	27	436	294	124	397	–	1,278
Disposals/write-offs	–	–	(462)	(14)	(150)	–	(626)
Transfers from investment properties (note 13)	–	4,557	5,259	–	276	–	10,092
At 31 December 2017	483	10,263	16,454	1,217	11,722	–	40,139
Foreign exchange adjustments	–	(246)	(402)	(23)	(283)	–	(954)
Depreciation for the year (note 9)	27	691	359	117	406	–	1,600
Disposals/write-offs	–	(44)	(500)	(87)	(166)	–	(797)
At 31 December 2018	510	10,664	15,911	1,224	11,679	–	39,988
<b>Impairment losses</b>							
At 1 January 2017	–	8	462	–	665	–	1,135
Foreign exchange adjustments	–	–	(5)	–	(9)	–	(14)
At 31 December 2017	–	8	457	–	656	–	1,121
Foreign exchange adjustments	–	–	(8)	–	(12)	–	(20)
(Reversals)/additions	–	(8)	17	–	(253)	–	(244)
At 31 December 2018	–	–	466	–	391	–	857
<b>Carrying amount</b>							
At 1 January 2017	905	12,436	2,908	620	2,568	–	19,437
At 31 December 2017	878	18,238	3,817	485	2,830	4,344	30,592
At 31 December 2018	851	16,997	3,264	433	2,596	17,239	41,380

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 12. Property, plant and equipment (cont'd)

	Freehold properties \$'000	Leasehold buildings \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>Company</b>					
<b>Cost</b>					
At 1 January 2017	1,361	452	353	158	2,324
Additions	–	–	–	4	4
Disposals	–	–	–	(7)	(7)
At 31 December 2017 and 31 December 2018	1,361	452	353	155	2,321
<b>Accumulated depreciation</b>					
At 1 January 2017	456	186	226	142	1,010
Depreciation for the year	27	11	36	6	80
Disposals	–	–	–	(6)	(6)
At 31 December 2017	483	197	262	142	1,084
Depreciation for the year	27	11	35	4	77
At 31 December 2018	510	208	297	146	1,161
<b>Carrying amount</b>					
At 1 January 2017	905	266	127	16	1,314
At 31 December 2017	878	255	91	13	1,237
At 31 December 2018	851	244	56	9	1,160

During the current reporting year, the Group reversed impairment loss of approximately \$244,000 (2017: Nil) to profit or loss as the items were disposed of. The reversal of impairment loss was included in "other operating income".

### 13. Investment properties

	Group	
	2018 \$'000	2017 \$'000
<b>Cost</b>		
At beginning of year	66,304	84,738
Additions	660	1,874
Transfers to property, plant and equipment (note 12)	–	(18,865)
Foreign exchange adjustments	(1,590)	(1,443)
At end of year	65,374	66,304
<b>Accumulated depreciation</b>		
At beginning of year	7,277	15,282
Depreciation for the year (note 9)	2,004	2,344
Transfers to property, plant and equipment (note 12)	–	(10,092)
Foreign exchange adjustments	(165)	(257)
At end of year	9,116	7,277
<b>Carrying amount</b>		
At beginning of year	59,027	69,456
At end of year	56,258	59,027

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Investment properties (cont'd)

	Company	
	2018	2017
	\$'000	\$'000
<b>Cost</b>		
At beginning and end of year	1,361	1,361
<b>Accumulated depreciation</b>		
At beginning of year	474	447
Depreciation for the year	27	27
At end of year	501	474
<b>Carrying amount</b>		
At beginning of year	887	914
At end of year	860	887

During the previous reporting year, the Group reclassified certain non-current assets of a subsidiary within the hotels and properties segment with a net book value of approximately \$8,773,000 to property, plant and equipment following the change in operational model from an investment property to an owner-operated hotel.

Details of the Group's investment properties as at 31 December 2018 are as follows:

Held by	Location	Description	Tenure of land	Fair value		
				31 Dec 2018	31 Dec 2017	1 Jan 2017
				\$'000	\$'000	\$'000
Company	Commercial property at 701 Sims Drive, #05-01 LHK Building, Singapore	B1 industrial building	Freehold	2,079	1,950	1,950
Subsidiaries						
– Shanghai San Teh Xing Real Estate Co., Ltd ("Shanghai San Teh Xing")	Commercial property at No. 5533 Cao'an Road Anting Town Jiading District Shanghai, PRC	Commercial building, SOHO apartment and shopping mall	Leasehold (expiring on 30 August 2050 and 30 August 2060)	113,640	71,130	84,169
– Nantong Santeh Hotel Co., Ltd ("Nantong Santeh Hotel")	Commercial property at No.1 Duan Jia Ba Road Nantong, Jiangsu Province, PRC	Shopping mall Hotel	Leasehold (expiring on 28 July 2043)	9,690	9,546	15,105
				–	–	16,076
				125,409	82,626	117,300

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The property rental income from the Group's and the Company's investment properties, several of which are leased out under operating leases, amounted to approximately \$6,507,000 (2017: \$3,902,000) and \$66,000 (2017: \$61,000), respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Investment properties (cont'd)

Direct operating expenses (including repairs and maintenance) of the Group and the Company are summarised as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Direct operating expenses arising from investment properties that generated rental income	3,132	2,642	45	45
Direct operating expenses arising from investment properties that did not generate rental income	1,135	941	–	–
	<u>4,267</u>	<u>3,583</u>	<u>45</u>	<u>45</u>

## 13A. Fair value measurements

The following table shows an analysis of the investment properties not measured at fair value but for which fair value is disclosed:

	Fair value measurements at end of reporting year using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
<b>Group</b>				
<b>31 December 2018</b>				
Investment properties	–	–	125,409	125,409
<b>31 December 2017</b>				
Investment properties	–	–	82,626	82,626
<b>1 January 2017</b>				
Investment properties	–	–	117,300	117,300
<b>Company</b>				
<b>31 December 2018</b>				
Investment properties	–	–	2,079	2,079
<b>31 December 2017</b>				
Investment properties	–	–	1,950	1,950
<b>1 January 2017</b>				
Investment properties	–	–	1,950	1,950



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Investment properties (cont'd)

### 13A. Fair value measurements (cont'd)

A description of the valuation techniques and information about the significant observable inputs used in the fair value measurement (for disclosure purposes) are as follows:

(a) Commercial property held by the Company

The fair value is determined by management based on comparable market transactions that consider the sales of similar properties transacted in the open market.

*Sensitivity to changes in comparable market price*

As at the reporting year end, a possible change to the comparable market price used for fair value will result in changes in fair value as follows:

	Comparable market price	
	5% increase \$'000	5% decrease \$'000
Increase/(decrease) in fair value	104	(104)

(b) Commercial property held by Shanghai San Teh Xing

As at 31 December 2018, fair value is determined based on an independent valuation performed by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd ("Cushman & Wakefield"), an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued.

According to the valuation report, the fair value of the property is determined using a combination of the following:

- Direct comparison approach by making reference to comparable sales and rental evidence as available in the relevant market; and
- Direct capitalisation approach to derive the value of the property by capitalising the rental income derived from the market rental using a market related capitalisation rate.

*Sensitivity to changes in comparable market price and capitalisation rate*

As at the reporting year end, a possible change to the comparable market price and capitalisation rate used in the valuation will result in changes in fair value as follows:

	Comparable market price		Capitalisation rate	
	5% increase \$'000	5% decrease \$'000	1% increase \$'000	1% decrease \$'000
Increase/(decrease) in fair value	2,821	(2,821)	(5,527)	6,607

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Investment properties (cont'd)

### 13A. Fair value measurements (cont'd)

- (b) Commercial property held by Shanghai San Teh Xing (cont'd)

As at 1 January 2017 and 31 December 2017, the fair value was estimated using the income approach based on management's cash flow forecasts.

The major assumptions are summarised as follows:

	31 Dec 2017	1 Jan 2017
Years covered by cash flow forecasts	32.68	33.68
Growth rate	2.0%	2.0%
Pre-tax discount rate	8.3%	7.0%

The calculations of discounted cash flow method for the investment property were most sensitive to the following assumptions:

- Lease income – The forecasted lease income was either based on existing tenancy agreements or based on market rates of comparable properties in the neighbourhood; and
- Discount rate – Discount rate was developed based on management's research on the evidence of rental of similar properties in the vicinity.

- (c) Commercial property held by Nantong Santeh Hotel

As at 31 December 2018, the fair value is determined based on an independent valuation performed by Cushman & Wakefield, an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuation is estimated using the income approach, pursuant to which the external valuer discounted the estimated future net cash flows of the property to its present value using an appropriate discount rate that reflects the rate of return.

As at 1 January 2017 and 31 December 2017, the fair value was estimated by management using the income approach based on management's cash flow forecasts.

The major assumptions are summarised as follows:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Years covered by cash flow forecasts	24.58	25.58	26.58
Growth rate	4.5%	2.0%	2.0%
Pre-tax discount rate	10.0%	8.3%	7.0%

#### *Sensitivity to changes in assumptions*

As at end of reporting year, a possible change to the following estimates used (holding other assumptions unchanged) will result in changes in fair value as follows:

	Discount rate		Lease income	
	1% increase \$'000	1% decrease \$'000	5% increase \$'000	5% decrease \$'000
(Decrease)/increase in fair value	(652)	713	579	(579)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 14. Properties under development

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Cost of leasehold land	24,777	25,398	25,844
Development costs	6,304	7,515	7,657
	<u>31,081</u>	<u>32,913</u>	<u>33,501</u>

Movements in properties under developments are as follows:

	2018 \$'000	2017 \$'000
At beginning of year	32,913	33,501
Additions	1,534	–
Write-down recognised in profit or loss (note 9)	(2,562)	–
Foreign exchange adjustments	(804)	(588)
At end of year	<u>31,081</u>	<u>32,913</u>

Details of the Group's properties under development as at 31 December 2018 are as follows:

Description and location	Percentage owned	Site area/ gross floor area (sqm)	Percentage of completion as at 31 Dec 2018	Expected year of completion
Residential and shop units along Huanglongtan, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, PRC	95%	36,553/108,229	14%	To be determined
Residential, commercial and hotel project along Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province, PRC	95%	113,665/249,411	Nil%	To be determined

The Group is carrying out a review of the aforesaid projects after it has repossessed the construction site following the resolution of the litigation with the main contractor (see note 24). This review is to assess the suitability of the original development plans after taking into account, amongst others, current market condition, demand for the various types of residential properties and pricing.

The review is still ongoing and it is likely there will be changes to the original development plans. Accordingly, the expected year of completion is not yet determinable as at end of the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. Investments in subsidiaries

	Company	
	2018 \$'000	2017 \$'000
At beginning of year	162,157	162,157
Capital reduction	(13,534)	–
At end of the year	148,623	162,157

Details of the Company's significant subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Suzhou San Teh Hotel Co., Ltd <sup>#</sup>	PRC	Hotel operation	100	100	100
Nantong Santeh Hotel <sup>#</sup>	PRC	Hotel operation and property investment	100	100	100
SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd <sup>#</sup>	PRC	Manufacture and sale of PVC pipes and fittings	100	100	100
Shanghai San Teh Xing <sup>#</sup>	PRC	Property development and investment	100	100	100
San Teh Xing Real Estate (Fujian) Co., Ltd ("San Teh Xing Fujian") <sup>#</sup>	PRC	Property development	75	75	75
Dali San Teh Xing Real Estate Co., Ltd ("Dali San Teh Xing") <sup>#</sup>	PRC	Property development	95	95	95

<sup>#</sup> Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP in the PRC, for consolidation purposes.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. Investments in subsidiaries (cont'd)

### 15A. Interest in subsidiaries with material non-controlling interests

The subsidiaries that have non-controlling interests that are material to the Group are as follows:

Name	Proportion of ownership interest held by non-controlling interests	Profit/(loss) allocated to non-controlling interests during reporting year \$'000	Accumulated non-controlling interests at end of reporting year \$'000	Dividends paid to non-controlling interests \$'000
<b>31 December 2018</b>				
San Teh Xing Fujian	25%	70	694	–
Dali San Teh Xing	5%	(238)	1,435	–
<b>31 December 2017</b>				
San Teh Xing Fujian	25%	267	5,250	1,297
Dali San Teh Xing	5%	(76)	1,712	–
<b>1 January 2017</b>				
San Teh Xing Fujian	25%	317	6,397	–
Dali San Teh Xing	5%	(11)	1,820	–

#### Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are reported by cash and cash equivalents of \$5,628,000 (31 December 2017: \$24,493,000; 1 January 2017: \$16,368,000) held in the PRC that are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being remitted other than through dividends.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 15. Investments in subsidiaries (cont'd)

#### 15B. Summarised financial information of subsidiaries with material non-controlling interests

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

*Summarised statement of financial position*

	San Teh Xing Fujian		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
<b>Current</b>			
Assets	5,383	23,923	30,447
Liabilities	(2,607)	(2,926)	(5,029)
Net current assets	2,776	20,997	25,418
<b>Non-current</b>			
Assets	2	2	170
Liabilities	–	–	–
Net non-current assets	2	2	170
<b>Net assets</b>	2,778	20,999	25,588
	Dali San Teh Xing		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
<b>Current</b>			
Assets	659	2,894	4,060
Liabilities	(3,390)	(2,113)	(1,757)
Net current (liabilities)/assets	(2,731)	781	2,303
<b>Non-current</b>			
Assets	31,428	33,458	34,098
Liabilities	–	–	–
Net non-current assets	31,428	33,458	34,098
<b>Net assets</b>	28,697	34,239	36,401

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. Investments in subsidiaries (cont'd)

### 15B. Summarised financial information of subsidiaries with material non-controlling interests (cont'd)

Summarised statement of comprehensive income

	San Teh Xing Fujian		Dali San Teh Xing	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Revenue	-	-	-	-
Profit/(loss) before income tax	319	1,664	(4,751)	(1,530)
Income tax expense	(40)	(595)	-	-
Profit/(loss) after tax	279	1,069	(4,751)	(1,530)
Other comprehensive loss	(455)	(470)	(792)	(631)
Total comprehensive (loss)/income	(176)	599	(5,543)	(2,161)

Other summarised information

	San Teh Xing Fujian		Dali San Teh Xing	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net cash flows (used in)/from operations	(488)	12,677	(1,972)	(530)

## 16. Investment in associate

	Group	
	2018	2017
	\$'000	\$'000
At beginning of year	280	361
Share of results for the year	(78)	(75)
Share of other comprehensive loss	(4)	(6)
At end of year	198	280

The carrying value comprises the following:

	31 Dec	31 Dec	1 Jan
	2018	2017	2017
	\$'000	\$'000	\$'000
Unquoted equity shares at cost	786	786	786
Share of post-acquisition results, net of dividends received	(647)	(569)	(494)
Share of post-acquisition other comprehensive income	59	63	69
	198	280	361

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 16. Investment in associate (cont'd)

The associate held is as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			31 Dec 2018	31 Dec 2017	1 Jan 2017
			%	%	%
Dali San Teh Coal Industry Co., Ltd ("Dali San Teh Coal")	PRC	Dormant	38	38	38

This associate is not significant as defined under Rule 718 of the Listing Manual of SGX-ST.

### 16A. Summarised financial information of associate

The summarised financial information in respect of Dali San Teh Coal, based on its SFRS(l) financial statements, and a reconciliation with the carrying amount of the investment in the consolidated financial statements, are as follows:

*Summarised statement of financial position*

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Current assets	234	270	300
Non-current assets	1,389	1,556	1,719
Total assets	1,623	1,826	2,019
Current liabilities	1,217	1,204	1,185
Total liabilities	1,217	1,204	1,185
Net assets	406	622	834
Net assets	406	622	834
Proportion of Group's ownership	38%	38%	38%
Group's share of net assets	154	236	317
Others	44	44	44
Carrying amount	198	280	361

*Summarised statement of comprehensive income*

	2018 \$'000	2017 \$'000
Revenue	-	-
Loss after tax	(205)	(197)
Other comprehensive loss	(11)	(15)
Total comprehensive loss	(216)	(212)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. Other financial assets

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Group</b>			
<b>Current</b>			
Equity instruments (quoted) – at FVTPL	2,782	4,449	1,489
Debt instruments (unquoted) – at FVTPL	6,611	7,879	5,568
Debt instruments (unquoted) – at amortised cost	501	–	–
Other instruments (unquoted) – at cost	–	–	4,480
	9,894	12,328	11,537
<b>Non-current</b>			
Transferable club memberships, at cost	–	131	131
Less: Accumulated impairment losses	–	(90)	(90)
	–	41	41
Equity instruments (unquoted) – at cost	–	1,025	1,043
Equity instruments (unquoted) – at FVTPL	2,249	–	–
Equity instruments (quoted) – available-for-sale	–	2,448	4,680
Other instruments (unquoted) – available-for-sale	–	–	953
	2,249	3,514	6,717
<b>Company</b>			
<b>Current</b>			
Equity instruments (quoted) – at FVTPL	2,782	4,449	1,489
Debt instruments (unquoted) – at FVTPL	6,611	7,879	5,568
Debt instruments (unquoted) – at amortised cost	501	–	–
	9,894	12,328	7,057
<b>Non-current</b>			
Transferable club memberships, at cost	–	131	131
Less: Accumulated impairment losses	–	(90)	(90)
	–	41	41
Equity instruments (quoted) – available-for-sale	–	2,448	4,680
Other instruments (unquoted) – available-for-sale	–	–	953
	–	2,489	5,674

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 17. Other financial assets (cont'd)

#### 17A. Movements in financial assets measured at FVTPL

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fair value at beginning of year	12,328	7,057	12,328	7,057
Adoption of SFRS(I) 9				
– Reclassification from/(to) financial asset measured at cost	520	–	(505)	–
– Reclassification from available-for-sale financial asset	2,448	–	2,448	–
– Recognition of fair value	1,281	–	–	–
Fair value at beginning of year, as adjusted	16,577	7,057	14,271	7,057
Additions	–	7,158	–	7,158
Disposals	(4,798)	(3,551)	(4,798)	(3,551)
(Decrease)/increase in FVTPL under gains from investments (note 5)	(80)	1,664	(80)	1,664
Foreign exchange adjustments	(57)	–	–	–
Fair value at end of year	11,642	12,328	9,393	12,328

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. Other financial assets (cont'd)

### 17B. Disclosures relating to financial assets measured at FVTPL

The following information provides a summary of the significant sector concentrations within the investment portfolio including Level 1, 2 and 3 securities:

	Industry	Location	Level	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
<b>Group</b>									
Equity instruments (quoted)	Insurance	Hong Kong	1	79	90	–	1	1	–
Equity instruments (quoted)	Banking	Hong Kong	1	67	75	–	1	1	–
Equity instruments (quoted)	Banking	Singapore	1	353	370	380	3	3	5
Equity instruments (quoted)	Banking	United States of America	1	214	488	334	2	4	5
Equity instruments (quoted)	Asset management	Hong Kong	1	–	799	417	–	6	6
Equity instruments (quoted)	Real estate	Singapore	1	1,548	1,620	–	13	13	–
Equity instruments (quoted)	Institutional financial services	Singapore	1	–	372	358	–	3	5
Equity instruments (quoted)	Telecommunication	Singapore	1	521	635	–	4	5	–
Equity instruments (unquoted)	Real estate	PRC	3	2,249	–	–	19	–	–
Debt instruments (unquoted)	Real estate	Singapore	2	–	505	497	–	4	7
Debt instruments (unquoted)	Asset management	Singapore	2	1,731	1,706	1,659	15	14	23
Debt instruments (unquoted)	Asset management	Luxembourg	2	940	1,009	–	8	8	–
Debt instruments (unquoted)	Asset management	Ireland	2	3,940	4,659	–	34	38	–
Debt instruments (unquoted)	Asset management	Luxembourg	2	–	–	1,452	–	–	21
Debt instruments (unquoted)	Asset management	Cayman Islands	2	–	–	1,960	–	–	28
				11,642	12,328	7,057	100	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. Other financial assets (cont'd)

### 17B. Disclosures relating to financial assets measured at FVTPL (cont'd)

	Industry	Location	Level	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
<b>Company</b>									
Equity instruments (quoted)	Insurance	Hong Kong	1	79	90	–	1	1	–
Equity instruments (quoted)	Banking	Hong Kong	1	67	75	–	1	1	–
Equity instruments (quoted)	Banking	Singapore	1	353	370	380	4	3	5
Equity instruments (quoted)	Banking	United States of America	1	214	488	334	2	4	5
Equity instruments (quoted)	Asset management	Hong Kong	1	–	799	417	–	6	6
Equity instruments (quoted)	Real estate	Singapore	1	1,548	1,620	–	16	13	–
Equity instruments (quoted)	Institutional Financial Services	Singapore	1	–	372	358	–	3	5
Equity instruments (quoted)	Telecommunication	Singapore	1	521	635	–	6	5	–
Debt instruments (unquoted)	Real estate	Singapore	2	–	505	497	–	4	7
Debt instruments (unquoted)	Asset management	Singapore	2	1,731	1,706	1,659	18	14	23
Debt instruments (unquoted)	Asset management	Luxembourg	2	940	1,009	–	10	8	–
Debt instruments (unquoted)	Asset management	Ireland	2	3,940	4,659	–	42	38	–
Debt instruments (unquoted)	Asset management	Luxembourg	2	–	–	1,452	–	–	21
Debt instruments (unquoted)	Asset management	Cayman Islands	2	–	–	1,960	–	–	28
				9,393	12,328	7,057	100	100	100

### 17C. Fair value measurements (Level 2) recognised in statement of financial position

The unquoted debt instruments are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable willing market participants would consider in setting the price. The valuation technique uses market observable inputs.

### 17D. Fair value measurements (Level 3) recognised in statement of financial position

The unquoted equity instruments relate to the investment in 3.8% of the equity interests in Xiamen Fufeng Real Estate Development Co., Ltd ("Xiamen Fufeng") held by the Group. Xiamen Fufeng operates in the real estate industry in the PRC.

As at 31 December 2018, the estimated fair value of this investment is \$2,249,000 (1 January 2018: \$2,306,000). The valuation is determined by management using the net assets approach, which is based on the Group's 3.8% share of the fair value of the net assets of Xiamen Fufeng.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 17. Other financial assets (cont'd)

### 17D. Fair value measurements (Level 3) recognised in statement of financial position (cont'd)

The major assumptions are summarised as follows:

	31 Dec 2018	1 Jan 2018
Discount factor for lack of control over Xiamen Fufeng	20.0%	20.0%

#### Sensitivity to changes in assumptions

As at end of reporting year, a possible change to the discount factor for lack of control would result in changes in the fair value as follows:

	Discount factor	
	5% increase \$'000	5% decrease \$'000
(Decrease)/increase in fair value	(138)	138

### 17E. Reconciliation for fair value measurements in Level 3 of fair value hierarchy

	Unquoted equity shares \$'000
At 1 January 2018	–
Adoption of SFRS(I) 9	
– Reclassification from financial asset measured at cost	1,025
– Recognition of fair value	1,281
At 1 January 2018, as adjusted	2,306
Fair value changes during the year	–
Foreign exchange adjustments	(57)
At 31 December 2018	2,249

### 17F. Sensitivity analysis for price risk of equity instruments at FVTPL

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. The sensitivity analysis is as follows:

	2018 \$'000	2017 \$'000
A hypothetical 10% increase in market index that relates to quoted equity shares at FVTPL would have an effect on fair value of	278	445

For similar price decreases in the fair value of the above financial assets, there would be comparable impacts in the opposite direction.

This figure does not reflect currency risk, which has been considered in the foreign currency risks analysis section only. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 18. Land use rights

	Group	
	2018	2017
	\$'000	\$'000
<b>Cost</b>		
At beginning of year	11,844	12,052
Foreign exchange adjustments	(290)	(208)
At end of year	11,554	11,844
<b>Accumulated amortisation</b>		
At beginning of year	2,855	2,580
Foreign exchange adjustments	(70)	(45)
Amortisation for the year (note 9)	312	320
At end of year	3,097	2,855
<b>Carrying amount</b>		
At beginning of year	8,989	9,472
At end of year	8,457	8,989

The Group has land use rights over six plots (31 December 2017: six plots; 1 January 2017: six plots) of land in the PRC. The land use rights are amortised over the tenure period of between 33 to 48 years. The remaining tenure of the land use rights ranges from 25 to 32 years (31 December 2017: 26 to 33 years; 1 January 2017: 27 to 34 years).

Amortisation of land use rights is included in other operating expenses and cost of sales in profit or loss.

## 19. Inventories

	Group		
	31 Dec	31 Dec	1 Jan
	2018	2017	2017
	\$'000	\$'000	\$'000
<b>Statement of financial position</b>			
Raw materials and consumables (at cost)	1,095	774	1,106
Work-in-progress (at cost)	39	45	39
Finished goods (at cost or net realisable value)	1,493	1,317	2,346
	2,627	2,136	3,491
		2018	2017
		\$'000	\$'000
<b>Profit or loss</b>			
Inventories recognised as expense in cost of sales		7,914	11,186
Write-down of inventories recognised in profit or loss		236	699
		8,150	11,885

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Trade and other receivables

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Current</b>			
<b>Trade receivables</b>			
Outside parties	12,392	12,640	19,622
Less: Allowance for impairment loss	(520)	(467)	(790)
	11,872	12,173	18,832
<b>Other receivables</b>			
Associate	1,208	1,191	1,163
Outside parties	1,047	1,253	1,144
Less: Allowance for impairment loss	(1,208)	(1,400)	(1,376)
Deposits	292	2,400	2,503
Interest receivables	90	72	404
	13,301	15,689	22,670
<b>Company</b>			
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Current</b>			
<b>Trade receivables</b>			
Outside parties	2	2	1
<b>Other receivables</b>			
Subsidiaries			
– Loans receivable	18,583	6,691	11,852
– Non-trade amounts	28,109	25,322	25,670
Less: Allowance for impairment loss	(25,415)	–	–
Outside parties	11	11	11
Deposits	2	2	2
Interest receivables	28	17	27
	21,320	32,045	37,563
<b>Non-current</b>			
<b>Other receivables</b>			
Subsidiaries			
– Loans receivable	4,387	4,282	–

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 20. Trade and other receivables (cont'd)

Movements in allowance for impairment are as follows:

	Group	
	2018	2017
	\$'000	\$'000
<b>Trade receivables</b>		
At beginning of year	467	790
Foreign exchange adjustments	(11)	(14)
Allowance recognised in profit or loss (note 9)	105	–
Allowance written-off	(41)	(309)
At end of year	520	467
<b>Other receivables</b>		
At beginning of year	1,400	1,376
Allowance recognised in profit or loss (note 9)	47	48
Foreign exchange adjustments	(34)	(24)
Reversal to profit or loss included in other operating income (note 6)	(205)	–
At end of year	1,208	1,400
	<b>Company</b>	
	2018	2017
	\$'000	\$'000
<b>Other receivables</b>		
At beginning of year	–	–
Allowance recognised in profit or loss	25,415	–
At end of year	25,415	–

The trade receivables are subject to the ECL model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on historical observed default rates over the expected life of the trade receivables and adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Trade and other receivables (cont'd)

The loss allowance for trade receivables was determined as follows:

	Gross amount		ECL rate		Loss allowance	
	31 Dec 2018 \$'000	1 Jan 2018 \$'000	31 Dec 2018 %	1 Jan 2018 %	31 Dec 2018 \$'000	1 Jan 2018 \$'000
<b>Group</b>						
Less than 1 year	7,345	10,540	0.42	0.57	31	60
1 – 2 years	3,758	749	2.02	2.00	76	15
2 – 3 years	292	463	5.48	5.40	16	25
3 – 6 years	776	674	22.68	22.70	176	153
More than 6 years	221	214	100.00	100.00	221	214
	<u>12,392</u>	<u>12,640</u>			<u>520</u>	<u>467</u>

The loans receivable from subsidiaries are unsecured and denominated in United States dollars ("USD") and Renminbi ("RMB"). These loans bear interest ranging from 0% to 3.6% (2017: 0% to 3.6%) per annum and are repayable as follows:

- Loans amounting to \$18,583,000 (31 December 2017: \$6,691,000; 1 January 2017: \$7,227,000) are repayable on demand; and
- Loans amounting to \$4,387,000 (31 December 2017: \$4,282,000) were rolled over from loans amounting to \$4,282,000 as at 31 December 2017 (1 January 2017: \$4,625,000) and are repayable by various instalments up to December 2022.

## 20A. Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at end of reporting year by industry sector is as follows:

	31 Dec 2018		Group 31 Dec 2017		1 Jan 2017	
	\$'000	%	\$'000	%	\$'000	%
Hotels and properties	3,435	29	2,032	17	15,585	83
PVC pipes and fittings	8,435	71	10,138	83	3,246	17
Others	2	–	3	–	1	–
	<u>11,872</u>	<u>100</u>	<u>12,173</u>	<u>100</u>	<u>18,832</u>	<u>100</u>

Concentration of trade receivable customers at end of reporting year is as follows:

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Top 1 customer	2,462	904	877
Top 2 customers	4,697	1,391	1,373
Top 3 customers	<u>5,601</u>	<u>1,828</u>	<u>1,817</u>

Other receivables are normally with no fixed terms and therefore there is no maturity.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 21. Cash and cash equivalents

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not restricted in use	5,691	5,546	4,215
Fixed deposits with banks	13,499	11,558	9,444
Short-term deposits	6,244	31,107	30,278
	25,434	48,211	43,937

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not restricted in use	959	1,499	1,666
Fixed deposits with banks	13,499	11,558	9,444
	14,458	13,057	11,110

Fixed deposits of the Group and the Company bear interest ranging from 1.58% to 2.80% (2017: 1.40% to 3.10%) per annum and are placed for tenures ranging from 7 to 90 days (2017: 31 to 33 days).

Short-term deposits of the Group bear interest ranging from 3.65% to 4.15% (2017: 4.10% to 4.60%) per annum and are placed for tenures ranging from 88 to 182 days (2017: 32 to 92 days).

Note 15 disclose the significant restrictions.

## 21A. Reconciliation of liabilities arising from financing activities

	Group	
	2018 \$'000	2017 \$'000
<b>Short-term borrowing</b>		
At beginning of year	1,843	1,329
Cash flows	(1,798)	536
Foreign exchange adjustments	(45)	(22)
At end of year	–	1,843

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 22. Trade and other payables

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Trade payables</b>			
Outside parties and accrued liabilities	3,711	4,254	6,133
<b>Other payables</b>			
Directors	1,772	2,143	2,019
Outside parties			
– Payables for purchase of property, plant and equipment	3,166	2,350	110
– Payables for properties under development	26	26	27
– Payables for investment properties	471	1,083	1,539
– Interest payables	–	3	–
– Sundry payables	1,333	1,673	1,247
Deposits received	1,659	3,518	3,075
	12,138	15,050	14,150

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Trade payables</b>			
Outside parties and accrued liabilities	312	323	353
<b>Other payables</b>			
Outside parties			
– Sundry payables	–	–	1
Deposits received	36	26	27
	348	349	381

## 23. Other financial liabilities

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Short-term bank borrowing	–	1,843	1,329

The short-term bank borrowing is covered by corporate guarantee by subsidiaries, a company controlled by a director of the Company and personal guarantee by a director. This borrowing bears interest ranging from 5.00% to 5.44% (2017: 5.00% to 5.44%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 24. Provision for litigation

	Group	
	2018 \$'000	2017 \$'000
At beginning of year	1,475	1,394
Additions	1,678	105
Amount utilised	(3,048)	–
Foreign exchange adjustments	(36)	(24)
At end of year	69	1,475

Certain of the Company's subsidiaries in the PRC were involved as parties in legal proceedings. These legal proceedings included civil court action or arbitration brought against the subsidiaries (whether by way of claim or counterclaim). The recognition of provisions was determined in accordance with the accounting policies set out in note 2A.

### 24A. Dali San Teh Xing

Dali San Teh Xing, a subsidiary whose principal activities relate to property development in the PRC, was involved in litigation with its main contractor due to disputes in quality of the constructions works. Legal proceedings commenced in 2014 and the construction was put on hold since then. For more details on these legal proceedings, please refer to the respective announcements released by the Company.

On 3 September 2018, the People's High Court of Yunnan Province (the "Yunnan High Court") delivered its final judgement on the appeal of Dali San Teh Xing. In this connection, the Yunnan High Court ruled that the main contractor is to return the construction site to Dali San Teh Xing and to pay Dali San Teh Xing \$234,000 (equivalent to RMB1,146,000) for progress payments overbilled.

At the same time, Dali San Teh Xing is required to:

- Pay compensation for work stoppages for the period from 25 August 2014 to 22 May 2015 amounting to \$686,000 (equivalent to RMB3,368,000);
- Pay 40% of compensation for work stoppages for the period from 23 May 2015 up to 15 September 2018, amounting to \$996,000 (equivalent to RMB4,887,000); and
- Return the security deposit of \$1,630,000 (equivalent to RMB8,000,000) to the main contractor.

Based on the above, the Group made a payment of \$3,078,000 during the year to settle the case and provision was no longer necessary as at end of reporting year.

### 24B. Shanghai San Teh Xing

Since the prior years, Shanghai San Teh Xing, a subsidiary which owns a shopping mall in the PRC, has been involved in a number of lawsuits with various parties, including its tenants and property managers, due to disputes in the contractual agreements. All of these lawsuits have been concluded during the current year. As at 31 December 2018, a provision of \$69,000 according to court ruling has been recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 25. Provision for retirement benefits

	Group and Company	
	2018	2017
	\$'000	\$'000
At beginning of year	527	468
Provision recognised in profit or loss	59	59
At end of year	586	527

Three (31 December 2017: three; 1 January 2017: three) of the directors of the Company are entitled to retirement benefits in accordance with their service agreements with the Company.

## 26. Share capital and treasury shares

### 26A. Share capital

	Group and Company	
	No. of shares	
	'000	\$'000
<b>Issued and fully paid ordinary shares</b>		
At 1 January 2017, 31 December 2017 and 31 December 2018	347,439	71,856

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares, with no par value, rank equally with regard to the Company's residual assets.

### Capital management

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the SGX-ST it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

There are no significant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 26. Share capital and treasury shares (cont'd)

#### 26B. Treasury shares

	Group and Company	
	No. of shares	\$'000
	'000	\$'000
At 1 January 2017, 31 December 2017 and 31 December 2018	5,414	1,929

Treasury shares relate to ordinary shares of the Company that are held by the Company.

### 27. Other reserves

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Fair value adjustment reserve	–	1,239	1,005
Foreign currency translation reserve	3,164	6,077	8,361
Statutory reserve	1,855	1,110	1,110
Capital reserve	48	48	48
	5,067	8,474	10,524

	Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Fair value adjustment reserve	–	1,239	1,005

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Foreign currency translation reserve comprises exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency, and includes the exchange differences on monetary items which form part of the Group's net investment in foreign operations.

Statutory reserve is set aside in compliance with the regulations of the country of registration of those subsidiaries registered in the PRC. At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 28. Dividends

	Group and Company	
	2018	2017
	\$'000	\$'000
<b>Paid during the reporting year</b>		
First and final exempt (1-tier) dividend paid of \$0.003 (2017: \$0.003) per share in respect of previous reporting year	1,026	1,026
<b>Proposed but not recognised as liability at end of reporting year</b>		
<i>Dividends on ordinary shares subject to shareholders' approval at Annual General Meeting</i>		
First and final exempt (one-tier) dividend of \$Nil (2017: \$0.003) per share	–	1,026

## 29. Commitments

### 29A. Capital commitments

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Estimated amounts committed for future capital expenditure authorised and contracted for but not provided for in the financial statements	6,632	24,628	19,513
Capital contributions towards investment in subsidiaries not yet due	7,791	7,986	8,126
	14,423	32,614	27,639
	Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Capital contributions towards investment in subsidiaries not yet due	7,791	7,986	8,126

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 29. Commitments (cont'd)

### 29B. Operating lease commitments – as lessor

At end of reporting year, total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not later than 1 year	5,687	5,189	3,134
Later than 1 year but not later than 5 years	22,886	22,868	16,108
Later than 5 years	2,997	4,773	7,256
	31,570	32,830	26,498

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not later than 1 year	69	28	61
Later than 1 year but not later than 5 years	32	–	28
	101	28	89

The Group leases out office premises, commercial building and shopping mall to non-related parties under non-cancellable operating leases. The leases have remaining lease terms of between 1 to 9.5 years (31 December 2017: 0.5 to 8 years; 1 January 2017: 1.5 to 9 years).

## 30. Segment information

Segment information is presented in respect of the Group's operating and geographical segments. These segments are based on the Group's management and internal reporting structure.

### 30A. Operating segments

The Group is currently organised into three reportable operating segments as follows:

- Investment holding – investment holding and administrative activities;
- Hotels and properties – operation of hotels and property development and investment; and
- PVC pipes and fittings – manufacturing and sale of PVC pipes and fittings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss and is measured in the same way as operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 30. Segment information (cont'd)

### 30A. Operating segments (cont'd)

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
<b>Group</b>					
<b>2018</b>					
<b>Revenue</b>					
Total revenue	–	6,441	10,341	–	16,782
<b>Results</b>					
Segment results	(2,029)	(7,114)	(898)	(29)	(10,070)
Interest income	441	530	26	79	1,076
Interest expense	–	(39)	(3)	–	(42)
Share of results of associate	(78)	–	–	–	(78)
(Loss)/profit before income tax	(1,666)	(6,623)	(875)	50	(9,114)
Income tax expense	(23)	(40)	–	(16)	(79)
(Loss)/profit for the year	(1,689)	(6,663)	(875)	34	(9,193)
<b>Assets</b>					
Segment assets	27,786	144,422	14,571	4,547	191,326
Investments in associate	198	–	–	–	198
Total assets	27,984	144,422	14,571	4,547	191,524
<b>Liabilities</b>					
Segment liabilities	944	11,280	508	61	12,793
Income tax payable	22	15	–	13	50
Total liabilities	966	11,295	508	74	12,843
<b>Other segment information</b>					
Additions to property, plant and equipment	–	13,053	157	–	13,210
Additions to properties under development	–	1,534	–	–	1,534
Additions to investment properties	–	660	–	–	660
Depreciation and amortisation	119	3,485	264	48	3,916
Foreign exchange losses	67	598	–	–	665

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 30. Segment information (cont'd)

#### 30A. Operating segments (cont'd)

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
<b>Group</b>					
<b>2017</b>					
<b>Revenue</b>					
Total revenue	–	3,850	14,676	–	18,526
<b>Results</b>					
Segment results	(755)	(3,684)	229	(37)	(4,247)
Interest income	334	779	21	296	1,430
Interest expense	–	(51)	(5)	–	(56)
Share of results of associate	(75)	–	–	–	(75)
(Loss)/profit before income tax	(496)	(2,956)	245	259	(2,948)
Income tax expense	(248)	(595)	37	(62)	(868)
(Loss)/profit for the year	(744)	(3,551)	282	197	(3,816)
<b>Assets</b>					
Segment assets	31,559	157,310	16,098	9,111	214,078
Investments in associate	280	–	–	–	280
Total assets	31,839	157,310	16,098	9,111	214,358
<b>Liabilities</b>					
Segment liabilities	941	16,641	1,253	60	18,895
Income tax payable	106	76	–	84	266
Total liabilities	1,047	16,717	1,253	144	19,161
<b>Other segment information</b>					
Additions to property, plant and equipment	4	4,253	115	–	4,372
Additions to investment properties	–	1,874	–	–	1,874
Depreciation and amortisation	122	3,480	290	50	3,942
Foreign exchange losses/(gains)	2,106	(720)	–	–	1,386

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 30. Segment information (cont'd)

### 30A. Operating segments (cont'd)

Information about segment assets and liabilities as at 1 January 2017 are as follows:

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
<b>Group</b>					
<b>Assets</b>					
Segment assets	32,607	161,995	15,122	10,894	220,618
Investments in associate	361	–	–	–	361
Deferred tax assets	–	168	–	–	168
<b>Total assets</b>	<b>32,968</b>	<b>162,163</b>	<b>15,122</b>	<b>10,894</b>	<b>221,147</b>
<b>Liabilities</b>					
Segment liabilities	861	15,854	569	57	17,341
Income tax payable	90	105	–	76	271
<b>Total liabilities</b>	<b>951</b>	<b>15,959</b>	<b>569</b>	<b>133</b>	<b>17,612</b>

### 30B. Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Group Non-current assets		
	2018	2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
PRC	16,782	18,526	135,156	129,397	129,638
Singapore	–	–	2,020	2,124	2,228
	<b>16,782</b>	<b>18,526</b>	<b>137,176</b>	<b>131,521</b>	<b>131,866</b>

Non-current assets information presented above consist of property, plant and equipment, properties under development, investment properties and land use rights as presented in the consolidated statement of financial position.

Revenue of approximately \$1,882,000 (2017: \$3,225,000) is derived from a single external customer attributable to the PVC pipes and fittings segment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks

### 31A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at end of reporting year:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
<b>Financial assets</b>			
Financial assets at amortised cost	39,236	63,900	71,087
Available-for-sale financial assets	–	3,473	6,676
Financial assets measured at FVTPL	11,642	12,328	7,057
	<u>50,878</u>	<u>79,701</u>	<u>84,820</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	<u>12,138</u>	<u>16,893</u>	<u>15,479</u>
	<b>31 Dec 2018 \$'000</b>	<b>Company 31 Dec 2017 \$'000</b>	<b>1 Jan 2017 \$'000</b>
<b>Financial assets</b>			
Financial assets at amortised cost	36,279	45,102	48,673
Available-for-sale financial assets	–	2,448	5,633
Financial assets measured at FVTPL	9,393	12,328	7,057
	<u>45,672</u>	<u>59,878</u>	<u>61,363</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	<u>348</u>	<u>349</u>	<u>381</u>

Further quantitative disclosures are included throughout these financial statements.

### 31B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and actions to be taken in order to manage the financial risks. However these are not documented in formal written form. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior staff.
- (iv) All financial risk management activities are carried out following acceptable market practices.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

The Group categorises fair value measurement using the fair value hierarchy as set out in note 2A.

### 31D. Credit risk on financial assets

Financial assets could potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-one loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 disclose the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

### 31E. Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is approximately 30 to 60 days (2017: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31E. Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Group</b>				
<b>31 December 2018</b>				
<b>Financial assets</b>				
Trade and other receivables	13,301	–	–	13,301
Cash and cash equivalents	25,434	–	–	25,434
Other financial assets	9,894	–	2,249	12,143
Total financial assets	48,629	–	2,249	50,878
<b>Financial liabilities</b>				
Trade and other payables	12,138	–	–	12,138
Total undiscounted financial liabilities	12,138	–	–	12,138
Net financial assets	36,491	–	2,249	38,740
<b>31 December 2017</b>				
<b>Financial assets</b>				
Trade and other receivables	15,689	–	–	15,689
Cash and cash equivalents	48,211	–	–	48,211
Other financial assets	12,328	2,448	1,025	15,801
Total financial assets	76,228	2,448	1,025	79,701
<b>Financial liabilities</b>				
Trade and other payables	15,050	–	–	15,050
Other financial liabilities	1,889	–	–	1,889
Total undiscounted financial liabilities	16,939	–	–	16,939
Net financial assets	59,289	2,448	1,025	62,762
<b>1 January 2017</b>				
<b>Financial assets</b>				
Trade and other receivables	22,670	–	–	22,670
Cash and cash equivalents	43,937	–	–	43,937
Other financial assets	11,537	5,633	1,043	18,213
Total financial assets	78,144	5,633	1,043	84,820
<b>Financial liabilities</b>				
Trade and other payables	14,150	–	–	14,150
Other financial liabilities	1,340	–	–	1,340
Total undiscounted financial liabilities	15,490	–	–	15,490
Net financial assets	62,654	5,633	1,043	69,330

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31E. Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
<b>Company</b>			
<b>31 December 2018</b>			
<b>Financial assets</b>			
Trade and other receivables	21,320	4,387	25,707
Cash and cash equivalents	14,458	–	14,458
Other financial assets	9,894	–	9,894
Total financial assets	45,672	4,387	50,059
<b>Financial liabilities</b>			
Trade and other payables	348	–	348
Total undiscounted financial liabilities	348	–	348
Net financial assets	45,324	4,387	49,711
<b>31 December 2017</b>			
<b>Financial assets</b>			
Trade and other receivables	32,045	4,282	36,327
Cash and cash equivalents	13,057	–	13,057
Other financial assets	12,328	2,448	14,776
Total financial assets	57,430	6,730	64,160
<b>Financial liabilities</b>			
Trade and other payables	349	–	349
Total undiscounted financial liabilities	349	–	349
Net financial assets	57,081	6,730	63,811
<b>1 January 2017</b>			
<b>Financial assets</b>			
Trade and other receivables	37,563	–	37,563
Cash and cash equivalents	11,110	–	11,110
Other financial assets	7,057	5,633	12,690
Total financial assets	55,730	5,633	61,363
<b>Financial liabilities</b>			
Trade and other payables	381	–	381
Total undiscounted financial liabilities	381	–	381
Net financial assets	55,349	5,633	60,982

The undiscounted amounts on borrowings with fixed and floating interest rates are determined by reference to conditions existing at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31F. Interest rate risk

The effect on pre-tax profit is not significant.

### 31G. Foreign currency risk

Analysis of amounts denominated in non-functional currencies:

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
<b>Group</b>				
<b>2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	7,255	8	5,610	12,873
Trade and other receivables	12	–	8	20
Other financial assets	2,542	146	–	2,688
	<u>9,809</u>	<u>154</u>	<u>5,618</u>	<u>15,581</u>
<b>Financial liabilities</b>				
Trade and other payables	–	–	21	21
	<u>–</u>	<u>–</u>	<u>21</u>	<u>21</u>
Net financial assets at end of year	<u>9,809</u>	<u>154</u>	<u>5,597</u>	<u>15,560</u>
<b>2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents	8,198	3	3,764	11,965
Trade and other receivables	2	–	8	10
Other financial assets	3,403	3,413	–	6,816
	<u>11,603</u>	<u>3,416</u>	<u>3,772</u>	<u>18,791</u>
<b>Financial liabilities</b>				
Trade and other payables	–	–	11	11
	<u>–</u>	<u>–</u>	<u>11</u>	<u>11</u>
Net financial assets at end of year	<u>11,603</u>	<u>3,416</u>	<u>3,761</u>	<u>18,780</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currencies (cont'd):

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
<b>Company</b>				
<b>2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	7,255	8	5,610	12,873
Trade and other receivables	7,783	–	38,967	46,750
Other financial assets	2,542	146	–	2,688
	17,580	154	44,577	62,311
<b>Financial liabilities</b>				
Trade and other payables	–	–	21	21
	–	–	21	21
Net financial assets at end of year	17,580	154	44,556	62,290
<b>2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents	8,175	3	3,764	11,942
Trade and other receivables	7,454	–	24,607	32,061
Other financial assets	3,403	3,413	–	6,816
	19,032	3,416	28,371	50,819
<b>Financial liabilities</b>				
Trade and other payables	–	–	11	11
	–	–	11	11
Net financial assets at end of year	19,032	3,416	28,360	50,808

Sensitivity analysis is as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against USD with all other variables held constant would have an adverse effect on pre-tax loss of	(981)	(1,160)	(1,758)	(1,903)
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against HKD with all other variables held constant would have an adverse effect on pre-tax loss of	(15)	(342)	(15)	(342)
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against RMB with all other variables held constant would have an adverse effect on pre-tax loss of	(560)	(376)	(4,456)	(2,836)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Financial instruments – information on financial risks (cont'd)

### 31G. Foreign currency risk (cont'd)

The above table shows sensitivity to a hypothetical 10% variation in the respective functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year.

### 31H. Market price risk

Market price risk is that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investments in quoted equity instruments. These instruments are quoted on the Hong Kong Exchanges and Clearing Ltd in Hong Kong, SGX-ST in Singapore and New York Stock Exchange in the United States of America and are classified as financial assets at FVTPL. The Group does not have exposure to commodity price risk. The sensitivity analysis is disclosed in note 17.

## 32. Changes and adoption of financial reporting standards

For the current reporting year, new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in note 34.

SFRS(I) No.	Title
SFRS(I) 1-40	Amendments to Investment Property
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers Amendments and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 33. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases – Illustrative Examples and Amendments to Guidance on Other Standards)	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 January 2019

## 34. Changes in accounting policies and restatements of comparative figures

SFRS(I) 9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. It requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification. For financial liabilities, it also has requirements to cases where the fair value option is taken. For impairment of financial assets, it introduces the ECL model; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, it allows financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. Prior reporting periods need not be restated. The Group may restate prior periods if, and only if, it is possible without the use of hindsight. Therefore, the standard has been applied for the reporting year ended 31 December 2018 only. As the Group does not restate prior periods, it has recognised the difference if any between the previous carrying amount and the carrying amount at 1 January 2018 in the opening retained earnings/equity. The details of adjustments to opening account balances as at 1 January 2018 are as follows:

	Note	1 Jan 2018 \$'000	31 Dec 2017 \$'000	Difference \$'000
<b>Group</b>				
Other financial assets, non-current	A, B, C	4,795	1,066	3,729
Investment securities, non-current	A, C	–	2,448	(2,448)
Other financial assets, current	A	12,328	–	12,328
Investment securities, current	A	–	12,328	(12,328)
Retained earnings	B, C	(112,354)	(109,834)	(2,520)
Other reserves	C	(7,235)	(8,474)	1,239
<b>Company</b>				
Other financial assets, non-current	A, C	2,489	41	2,448
Investment securities, non-current	A, C	–	2,448	(2,448)
Other financial assets, current	A	12,328	–	12,328
Investment securities, current	A	–	12,328	(12,328)
Retained earnings	B, C	(157,601)	(156,362)	(1,239)
Other reserves	C	–	(1,239)	1,239

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2018*

### 34. Changes in accounting policies and restatements of comparative figures (cont'd)

- A Certain reclassifications have been made to the comparative financial information to enhance comparability with the current year's presentation.
- B Unquoted equity investment measured at cost in the previous year that should be measured at FVTPL under the new standard amounted to \$2,306,000. The Group has applied the new standard to this item that existed at 1 January 2018 in accordance with the transition requirements. Accordingly, the difference between the fair value and the previous carrying amount of the instrument at 1 January 2018 is recorded as an adjustment to opening retained earnings.
- C Quoted equity investments classified as available-for-sale and measured at FVTOCI in the previous year that should be measured at FVTPL under the new standard amounted to \$2,448,000. The Group has applied the new standard to these items that existed at 1 January 2018 in accordance with the transition requirements. Accordingly, the Group has recognised the cumulative effect of initial application as an adjustment to opening retained earnings at 1 January 2018.

## PORTFOLIO OF PROPERTIES

31 December 2018

The properties of the Group are as follows:

Location	Type of premises	Site Area (in sqm)	Built up Area (in sqm)	Tenure	Years
701 Sims Drive #05/06-01 LHK Building Singapore 387383	2 strata units of B1 industrial building	–	594	Freehold	–
Unit Nos. 6A, 6B, 6C, 6D, 6E & 6F Huli East Avenue, Huli District 6th Floor, Tong Ji Building, Xiamen The People's Republic of China	Administrative offices	–	2,290	Leasehold	50 years from 1991
Unit No. 12B03 Blk D, Yuxiu Centre, Xiamen The People's Republic of China	Condominium	11	152	Leasehold	70 years from 1998
No. 1 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	Shopping mall and hotel building	6,183	28,661	Leasehold	50 years from 1993
Ching Nian Road Nantong, Jiangsu Province The People's Republic of China	A parcel of land	2,087	–	Leasehold	50 years from 1993
C-105 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	21 units of 1-storey staff quarters	–	1,623	Leasehold	70 years from 1993
No. 9 Guangzhou Road, Nantong Economic & Technological Development Zone Nantong, Jiangsu Province The People's Republic of China	Factory and office building	28,347	17,741	Leasehold	50 years from 1993
	Storage area	22,906	–	Leasehold	50 years from 1993
No. 3888 Huantaihu Road Xukou Town, Wuzhong District Suzhou, Jiangsu Province The People's Republic of China	3-storey, 4-storey and 6-storey resort hotel buildings	65,413	25,967	Leasehold	50 years from 1997

## PORTFOLIO OF PROPERTIES

31 December 2018

Location	Type of premises	Site Area (in sqm)	Built up Area (in sqm)	Tenure	Years
Unit Nos. 101, 102, 201 & 202 No. 24 Jinguiyi Estate Anting Town, Jiading District Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	360	Leasehold	70 years from 1994
Unit Nos. 101, 102, 201 & 202 No. 19 Jinguiyi Estate Anting Town, Jiading District Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	362	Leasehold	70 years from 1994
No. 5533 Cao'an Road Anting Town, Jiading District Shanghai The People's Republic of China	Commercial building, SOHO apartment and shopping mall	16,461	58,514	Leasehold	40 - 50 years from 2010
C-2-202, 203 Jinse Junyuan Shizha Lijiaoqiao, Panlong District Kunming, Yunnan Province The People's Republic of China	Two 1-storey residential apartment and parking lot	–	308	Leasehold	70 years from 2009
No. 21 Shuanglong Road Lanyuanjinzhen Heqing, Dali, Yunnan Province The People's Republic of China	Bungalow	281	326	Leasehold	64 years from 2012
Huanglongtan, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	36,553	–	Leasehold	40 - 70 years from 2013
Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	113,665	–	Leasehold	40 - 70 years from 2013

The Board of Directors (the “Board”) of San Teh Ltd (the “Company”) recognises the importance of and is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the “Group”).

This report outlines the Company’s corporate governance processes and activities that were in place through the financial year ended 31 December 2018 (“FY2018”) with specific reference to the principles set out in the Code of Corporate Governance 2012 (the “Code”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015.

The Company has generally adhered to the principles and guidelines of the Code except for Guidelines 3.1, 9.2 and 9.3 where appropriate explanations are provided for the deviations.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are: Guideline 1.1

- (1) Providing entrepreneurial leadership, setting strategic objectives and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;
- (2) Reviewing the performance of management;
- (3) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (4) Approving annual budgets, funding requirements, expansion programmes, capital investment, major acquisitions and divestment proposals;
- (5) Approving announcements including approval and release of financial results and annual reports;
- (6) Approving the recommended framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee (“RC”);
- (7) Identifying the key stakeholder groups and recognises that their perceptions affect the Company’s reputation;
- (8) Setting the Company’s values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (9) Consider sustainability issues such as environmental and social factors as part of its strategic formulation.

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is a performance criteria for the assessment of the directors. Guideline 1.2

The Board is supported by three sub-committees, namely a Nominating Committee (“NC”), a RC and an Audit Committee (“AC”). Each Committee has its own defined terms of reference and operating procedures. Guideline 1.3

While each of Board Committees have the delegated power to make decisions within the authority delegated to them, the ultimate responsibility for these decisions and actions rests with the Board as a whole.

The Board meets at least four times a year and additional meetings are held whenever necessary. The provisions in the Company’s Constitution allow a Board meeting to be conducted by way of tele-conference and video-conference. Guideline 1.4

The Board met four times in FY2018 to review the Group’s business operations and financial performance and approve major transactions.

# CORPORATE GOVERNANCE REPORT

The attendances of the directors at the meetings of the Board and Board Committees during FY2018 are disclosed as follows:

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kao Chuan Chi	4	4	4	4*	1	1	1	1*
Kao Chuan Trong	4	4	4	4*	1	1*	1	1*
Kao Ching Fong nee Pan	4	4	4	4*	1	1*	1	1*
Gui Kim Young @ Gui Kim Gan	4	3	4	3	1	1	1	1
Chuang Wen Fu	4	4	4	4	1	1	1	1
Ko Chuan Aun	4	4	4	4	1	1*	1	1

\* Attendance by invitation of the respective Committees

Apart from formal meetings, the directors also held informal meetings and discussions with management from time to time. The Board is free to request for further clarifications and information from management on all matters within their purview.

Matters that require the Board's approval include:

Guideline 1.5

- (1) Annual budget and business plan of the Group;
- (2) Major acquisitions and divestment proposals;
- (3) Declaration of interim dividends and proposal of final dividends;
- (4) Announcements of the Group's quarterly and full year financial results and annual reports;
- (5) Issuance of shares;
- (6) Corporate or financial restructurings; and
- (7) Interested person transactions.

Newly appointed director, if any, will be issued a formal letter of appointment setting out his duties and responsibilities.

Guideline 1.7

First-time director, if any, will also receive training in areas such as accounting, legal and industry specific knowledge as well as undergo training on the roles and responsibilities as director of a listed company.

Guideline 1.6

A comprehensive orientation and induction programme, including site visits to the Group's key operating centres, is organised for new director to familiarise him with the Group's business, operations, organisation structure, key management and corporate policies.

From time to time, the directors are briefed on the new accounting standards and corporate governance practices as well as updates on any changes in the Companies Act, SGX-ST's Listing Manual and other relevant legislations.

On a periodic basis, the executive directors update the Board at each meeting on the business and strategic developments of the Group.

As part of the Company's continuing efforts to ensure that Board is updated with the changes in the Act and Listing rules, directors are informed and encouraged to attend relevant training programmes, seminars and workshops conducted by the Singapore Institute of Directors, SGX-ST or other professional bodies and training institutions. This is to equip the Board to effectively discharge their duties and to enhance their skills and knowledge, either as part of their own professional practice or skills upgrading, or through the Company.



## Principle 2: Board Composition and Guidance

The Board comprises six members, three of whom are independent directors:

Guideline 2.1  
and  
Guideline 2.2

### Executive Directors

Kao Chuan Chi	(Chairman of the Board and Chief Executive Officer)
Kao Chuan Trong	(Managing Director)
Kao Ching Fong nee Pan	(Executive Director)

### Non-Executive Directors

Gui Kim Young @ Gui Kim Gan	(Lead Independent Director)
Chuang Wen Fu	(Independent Director)
Ko Chuan Aun	(Independent Director)

Name of Directors	Date of Appointment	Date of Last Re-election
Kao Ching Fong nee Pan	18 November 1980	30 April 2018
Chuang Wen Fu	1 June 1982	28 April 2017
Gui Kim Young @ Gui Kim Gan	4 February 1998	30 April 2018
Kao Chuan Trong	31 December 2007	29 April 2011
Kao Chuan Chi	13 July 2009	30 April 2013
Ko Chuan Aun	16 August 2010	28 April 2017

Further information on each director are set out on page 8 to 9 of this Annual Report. In addition, information on the shareholding held by each director in the Company can be found on page 13 of this Annual Report.

Guideline 4.7

The NC assesses the independence of each director annually in accordance with the guidance in the Code. The Board and the NC considers an independent director as one who, *inter alia*, has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

Guideline 2.3

In line with the guidance in the Code, the Board and NC takes into account whether a director is independent in character and judgement and the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including the employment of a director by the Company or any of its related corporations during the financial year or any of the previous three financial years; the employment of an immediate family member by the Company or any of its related corporations during the financial year or any of the past three financial years and whose remuneration is determined by the RC; the acceptance by a director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year or the previous financial year, other than compensation for board service; and a director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services during the financial year or the previous financial year; a director who is a 10% shareholder of the Company or is an immediately family member of a 10% shareholder; and a director who is or has been associated with a 10% shareholder of the Company in the financial year or the previous financial year.

Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

## CORPORATE GOVERNANCE REPORT

The Board recognises that independent directors may over time develop significant insights into the Group's business and operations and can continue to provide significant and valuable contributions to the Board. Where there are such directors, the NC and the Board will review vigorously their continuing contributions and independence and may exercise its discretion to extend the tenure of these directors where appropriate.

Guideline 2.4

Particular scrutiny is applied by the NC in assessing the continued independence of a director having served beyond nine years from the date of his first appointment, with attention to ensuring that his allegiance remains clearly aligned with shareholders' interest. Currently, Mr. Gui Kim Young @ Gui Kim Gan and Mr. Chuang Wen Fu have served on the Board for more than nine years from the date of their first appointment. Each independent director has recused himself in the determination of his own independence in this review. The NC considered the following attributes and contributions of the two independent directors and found that the length of tenure does not have any impact on their independence:

- (1) The independent directors provide their objective and constructive views to the Board and management;
- (2) The independent directors always speak up and offer practical solutions to issues and work towards adding value to the Group for the benefit of all shareholders especially committed to upholding the interest of those non-controlling shareholders; and
- (3) The independent directors evaluate and assess the information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist management to implement plans and policies adopted by the Group.

The NC believes that the independent directors' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

Accordingly, the NC is of the view that Mr. Gui and Mr. Chuang are considered independent. The Board has accepted the NC's view and affirmed the independence of the independent directors.

Notwithstanding the foregoing, the Board will continue to review the composition of the Board and consider the appropriateness of Board renewal should the opportunity arise.

The Board seek to ensure that there is an appropriate balance of expertise competencies among the directors. Given the nature and scope of the Group's operations, the Board is of the view that the present Board size of six members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business. With the diverse qualifications, experience, background, gender, age and profile of all the directors, the Board collectively possesses core competencies in areas such as accounting or finance, risk management, business or management experience and industry knowledge. As such, the Board is of the opinion that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

Guideline 2.5  
and  
Guideline 2.6

The Board includes one female director in recognition of the importance and value of gender diversity to enhance diversity in the Board.

While all the directors share an equal responsibility for the Company's operations, the role of the non-executive directors is crucial. The Board comprises three non-executive directors who help to develop proposals on Company strategies and ensure that the strategies proposed by the management are constructively challenged. They are also responsible for reviewing the performance of the management in meeting agreed goals and objectives and monitoring the reporting of performance.

Guideline 2.7

The independent directors meet on a need-basis without the presence of the management to discuss and review any matters regarding the Group.

Guideline 2.8

## Principle 3: Chairman and Chief Executive Officer (“CEO”)

Both the roles of Chairman and CEO of the Group are assumed by Mr. Kao Chuan Chi. Mr. Kao’s executive responsibilities include developing the Group’s business and overseeing the workings of the Board to ensure that procedures are introduced to comply with the Code. Guideline 3.1  
and  
Guideline 3.2

Although the roles and responsibilities of the Chairman and CEO are vested in Mr. Kao and not separated, the Board is of the opinion that the present Group structure and business scope do not warrant a split of the two roles. The Board believes that there are adequate measures and transparency in place against an uneven concentration of power and authority in one individual. The Board comprises six members, three of whom are independent directors. As Chairman, Mr. Kao ensures that independent directors are able to speak freely and major decisions are made in consultation with the Board.

The Board has appointed Mr. Gui Kim Young @ Gui Kim Gan as the lead independent director. Mr. Gui is also the Chairman of the AC and RC and a member of the NC. Shareholders with concerns may contact him directly when contact through the normal channels via the Chairman and CEO or Chief Financial Officer (“CFO”) has failed to provide satisfactory resolution, or when such contact may be inappropriate. Guideline 3.3

The independent directors, led by the lead independent director, meet amongst themselves without the presence of the other directors where necessary, and the lead independent director will provide feedback to the Chairman after such meetings. Guideline 3.4

## Principle 4: Board Membership

The NC comprises three members, the majority of whom, including the chairman are independent directors: Guideline 4.1

Chuang Wen Fu (Chairman)  
Gui Kim Young @ Gui Kim Gan  
Kao Chuan Chi

The principal functions of the NC are to: Guideline 4.2

- (1) Make recommendations to the Board on all board appointments;
- (2) Provide nominations for the re-appointment of directors having regard to their contribution and performance;
- (3) Assess the independence of the directors annually;
- (4) Assess whether or not a director is able to and has been adequately carrying out his duties as a director;
- (5) Review the appropriateness of the size and succession plans of the Board;
- (6) Evaluate the effectiveness and performance of the Board and the contribution by each individual director to the effectiveness of the Board; and
- (7) Review and recommend to the Board, training and professional development programmes for the directors.

Pursuant to the existing Constitution, one-third of the directors shall retire from office at each Annual General Meeting (“AGM”) with the exception of the Executive Chairman and Managing Director, who shall not be required to retire from office as directors under the Constitution. The retiring directors are eligible to offer themselves for re-election.

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director’s contribution and performance. The assessment criteria include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contribution.

## CORPORATE GOVERNANCE REPORT

The NC conducted an annual review of the independence of the directors as mentioned under Guidelines 2.3 and 2.4 above based on their declarations of independence (or otherwise), which were drawn up based on the guidelines provided under the Code. As and when circumstances require, the NC will also assess and determine a director's independence. Guideline 4.3

For directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that some of the directors despite having multiple directorships, have committed or are able to commit sufficient time, effort and attention to the affairs of the Group when carrying out their duties as a director. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board has accepted and affirmed the view of the NC. Guideline 4.4

Currently, the Company does not have any alternate director. Guideline 4.5

The NC is tasked to review the qualification and experience of a new director before making recommendation to the Board for his appointment. The NC will be in consultation with the Board to determine the selection criteria in order to identify the candidates. The Company has established the following process when selecting and appointing new director: Guideline 4.6

- (1) The NC will review annually the size of the Board and to determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- (2) External help such as recruitment firms may be considered as a source for potential candidates and the controlling shareholders and management may provide recommendations;
- (3) The NC will assess the suitability of the potential candidates based on their criteria; and
- (4) The NC will make recommendations to the Board for approval.

For FY2018, no new director was appointed to the Board.

### Principle 5: Board Performance

The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual director to the effectiveness of the Board on an annual basis. All directors are requested to complete evaluation forms designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The completed evaluation forms are submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Guideline 5.1

No external facilitator was engaged by the Company in FY2018 for this exercise.

The NC had conducted the Board's performance evaluation as a whole for FY2018 together with the performance evaluation of the AC, RC and NC. The performance criteria for the Board and Board Committees' evaluation, as determined by the NC, cover the following areas: Guideline 5.2

- (1) Board Composition and Structure;
- (2) Conduct of Meetings;
- (3) Corporate Strategy and Planning;
- (4) Risk Management and Internal Control;
- (5) Measuring and Monitoring Performance;
- (6) Training and Recruitment;

- (7) Compensation and Financial Reporting;
- (8) Board Committees; and
- (9) Communication with Shareholders.

The abovementioned performance criteria do not change from year to year.

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

The assessment parameters for each director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The NC and the Board have relied on the abovementioned parameters to evaluate the directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the directors.

Guideline 5.3

The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

## Principle 6: Access to Information

The directors are kept informed by management of all material events as and when they occur. They also have separate and independent access to the management and all the Group's records at all times in carrying out their duties.

Guideline 6.1  
and  
Guideline 6.2

Detailed Board papers and files are prepared and circulated in advance for each meeting. This is to give directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The Board papers and files include sufficient information from the management on financial, operating and corporate issues for directors to decide on issues presented at the Board and Board Committee meetings. Such information may also be in the form of presentations made by management in attendance at the meetings, or given by external advisors and consultants engaged by the Company.

The Board receives quarterly management financial statements, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

The Company Secretary attends all board meetings and assists the Chairman in the development of agenda including providing the Board with Board papers and related materials. He also ensures that board procedures are followed and applicable rules and regulations are complied with and is responsible for recording of the proceeding.

Guideline 6.3

The appointment and removal of the Company Secretary is decided by the Board.

Guideline 6.4

A director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

Guideline 6.5

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members, all of whom are independent directors:

Guideline 7.1

Gui Kim Young @ Gui Kim Gan (Chairman)  
Chuang Wen Fu  
Ko Chuan Aun

## CORPORATE GOVERNANCE REPORT

The primary functions of the RC are:

- (1) To review and recommend to the Board a framework of remuneration and specific remuneration packages for each director and the CEO;
- (2) To review the remuneration of senior management, and employees who are related to the directors, CEO and substantial shareholders;
- (3) To recommend to the Board the Executive's and Employees' Share Option Schemes or any long term incentive scheme; and
- (4) Review the Group's obligations in the event of termination of executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Guideline 7.2  
and  
Guideline 7.4

The RC's review covers all aspects of remuneration including salaries, fees, allowances, bonuses and benefits in kind for the individual director and key management personnel. The RC's recommendations are submitted for endorsement by the entire Board.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. There was no remuneration consultant engaged for FY2018.

Guideline 7.3

### Principle 8: Level and Mix of Remuneration

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

Guideline 8.1

The remuneration of the executive directors is based on service agreements. Executive directors do not receive director's fee but are remunerated as members of management. The remuneration package of the executive directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options or any other forms of deferred remuneration during FY2018.

Guideline 8.2

The non-executive directors are paid a director's fee. The Board concurred with the RC's proposal for non-executive directors' fees for FY2018. The RC and the Board are of the view that remuneration of the non-executive directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the directors. Directors' fees are subject to approval by the shareholders at the AGM.

Guideline 8.3

Having reviewed and considered the variable components of the executive directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

Guideline 8.4

**Principle 9: Disclosure on Remuneration**

Details on the remuneration of directors and key management personnel for the year under review are reported below. Guideline 9.1

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for FY2018 is as follows: Guideline 9.2  
and  
Guideline 9.3

	Salary %	Directors' Fees* %	Bonus %	Other Benefits %	Total Remuneration %
<b>Remuneration Band Between S\$250,000 and S\$499,999</b>					
<b>Executive Directors</b>					
Kao Chuan Chi	98	Nil	2	Nil	100
Kao Chuan Trong	99	Nil	1	Nil	100
Kao Ching Fong nee Pan	98	Nil	1	1	100
<b>Remuneration Band Below S\$250,000</b>					
<b>Non-Executive Directors</b>					
Gui Kim Young @ Gui Kim Gan	Nil	100	Nil	Nil	100
Chuang Wen Fu	Nil	100	Nil	Nil	100
Ko Chuan Aun	Nil	100	Nil	Nil	100

\* These fees are subject to approval by shareholders on a collective basis at the forthcoming AGM on 30 April 2019.

The Group confirms that there are only three key management personnel.

Disclosure of the top three executives' remuneration (who are not directors or the CEO) in bands of S\$250,000 is as follows:

	Salary %	Bonus %	Other Benefits %	Total Remuneration %
<b>Below S\$250,000</b>				
Dai Yu Feng	80	6	14	100
Chang Yen Chun	87	7	6	100
Lim Wee Tziang	97	3	Nil	100

Although the disclosure is not in compliance with the recommendation in the Code, the Board is of the view that given the confidentiality and competitive reasons, it will not be in the interest of the Company to disclose the actual remuneration of the directors and the total remuneration paid to the top three executives (who are not directors or the CEO).

There is no employee of the Group who is an immediate family member of a director or the CEO whose remuneration exceeds S\$50,000 for FY2018. Guideline 9.4

The Company does not have any employee share option scheme or any other long-term incentive scheme. Guideline 9.5  
and

Please refer to Guidelines 8.1 and 8.2 for further details regarding the executive directors' and key management personnel's remuneration. Guideline 9.6

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the first three quarters and the annual financial reports within 45 days from the end of quarter and within 60 days from the financial year-end respectively. Guideline 10.1

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements. Guideline 10.2

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements.

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST.

The management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Guideline 10.3

### Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for the overall internal control and risk management systems. It oversees the management in the design, implementation and monitoring of the risk management and internal control systems. Guideline 11.1

The Board is also responsible for governance of risk management and determining the Company's levels of risk tolerance and risk policies.

The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable. Guideline 11.2

The Group conducted risk management review exercise to identify and prioritise the top risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified top risks. The Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks based on the results of the exercise.

The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be low.

Material risks facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place by the respective general managers. The Board oversees management in the formulation, update and maintenance of an adequate and effective risk management framework.

The external auditors carry out in the course of their statutory audit an annual review of the Company's accounting control to the extent of their scope as laid out in their audit plan. Material internal accounting control weaknesses noted during their audit are reported to the AC.

The AC reviews the adequacy and effectiveness of the risk management and internal control systems annually.



The Board has received assurance from the CEO and CFO that: Guideline 11.3

- (1) The financial records of the Group have been properly maintained;
- (2) The financial statements for FY2018 give a true and fair view of the Group's operations and finances; and
- (3) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and information technology risks.

The CEO and CFO have obtained similar assurance from the various general managers in the Group.

Based on the risk management framework established and maintained by the Group, the work done by the internal auditors, the audit findings of the external auditors, reviews performed by management and the Board to strengthen the control processes, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate and effective to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

The Board has not established a separate board risk committee. The Company manages the risks under an overall strategy determined by the Board and supported by the AC, NC and RC. Guideline 11.4

#### Principle 12: Audit Committee

The AC comprises three members, all of whom are independent directors: Guideline 12.1

Gui Kim Young @ Gui Kim Gan (Chairman)  
Chuang Wen Fu  
Ko Chuan Aun

The profile of the AC members is set out on page 9 of this Annual Report.

The AC members bring with them professional expertise and experience in accounting, business and related financial management. The Board is satisfied that the AC members are appropriately qualified to discharge their responsibilities. Guideline 12.2

The AC has the authority to investigate any matter within its terms of reference. It has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions properly. Guideline 12.3

The AC performs the following functions: Guideline 12.4

- (1) Review the audit plans of the Company's internal and external auditors;
- (2) Review the internal and external auditors' report;
- (3) Review the co-operation given by the Company's officers to the internal and external auditors;
- (4) Review the financial statements of the Company and the Group and any formal announcements relating to the Company's financial performance, including review of significant financial reporting issues and judgments relating thereto;
- (5) Make recommendation on the appointment, re-appointment and removal of the external auditors; and approving the remuneration and terms of engagement of the external auditors;
- (6) Review the scope and results of the audit and its cost effectiveness, and all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;

## CORPORATE GOVERNANCE REPORT

- (7) Review the adequacy of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;
- (8) Review the effectiveness of the Group's internal audit function;
- (9) Review interested person transactions, if any; and
- (10) Review whistleblowing policy and reports.

The AC meets with the external auditors without the presence of the management, at least once a year. Guideline 12.5

The AC is responsible to conduct an annual review of the volume of non-audit services provided by the external auditors to ensure such services will not prejudice the independence and objectivity of the external auditors. In the opinion of the AC, the independence and objectivity of the external auditors were not affected by the provision of such services during the year. In accordance with Rule 1207(6)(a) of the Listing Manual, the audit fee paid to the external auditors for their services in FY2018 was S\$190,000. There was no non-audit fee paid to the external auditors. Guideline 12.6

The Group has engaged Messrs RSM Chio Lim LLP ("RSM") to audit its significant subsidiaries in the People's Republic of China for the purpose of reporting the group financial statements, although RSM is not the statutory auditor for these entities. The AC is of the opinion that the Company has complied with Rules 712 and 715(2) of the SGX-ST's Listing Manual. The AC recommended to the Board the re-appointment of RSM as the external auditors of the Company for the ensuing year.

The Group has instituted a whistleblowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters. Guideline 12.7

In addition to the above activities undertaken to fulfil its responsibilities mentioned in Guideline 12.4, the AC is kept abreast by management, external and internal auditors on changes and updates to accounting standards and other rules and regulations which could have a direct impact on the business and financial statements of the Group. Guideline 12.8

None of the AC members is a former partner or director of the Company's external or internal auditors. Guideline 12.9

Our external auditors, RSM have identified the following three key audit matters for FY2018 in their Audit Report:

- (1) Assessment of impairment of property, plant and equipment and investment properties;
- (2) Assessment of net realisable value of properties under development; and
- (3) Assessment of impairment of trade receivables.

The AC is aware of and has considered the above key audit matters highlighted by RSM. The AC has discussed the approach and findings with RSM in relation to the key audit matters. The AC also sought further confirmation or explanation from the management on the action taken by them to address the key audit matters.

The AC reviewed the key assumptions used by the management and considered the methodology applied and is satisfied that the relevant accounting policies, and action taken in relation to these key audit matters have been appropriately addressed by the management and discussed at the Board level. These are also disclosed in the financial statements.

## Principle 13: Internal Audit

The AC, in consultation with management, approves the hiring, removal, evaluation and compensation of the internal auditors.	Guideline 13.1 and Guideline 13.2
The internal audit function is outsourced to an international public accounting firm. The internal auditors report directly to the AC and have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.	
The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company to perform its function effectively.	
Furthermore, the AC is satisfied that the internal audit function is staffed with professionals with relevant qualifications and experience.	Guideline 13.3
The AC reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and guided by the standards set by internationally recognised professional bodies and that management provides the necessary co-operation to enable the internal auditors to perform its function. The AC also reviews the internal audit reports and remedial action implemented by the management to address any internal control inadequacies identified.	Guideline 13.4 and Guideline 13.5

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.	Guideline 14.1
All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also published in the Business Times and released through SGXNET.	Guideline 14.2
Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.	
Pursuant to the Constitution of the Company, shareholders may appoint up to two proxies to attend and vote at general meetings in their absence. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the general meetings may appoint more than two proxies to attend and vote on its behalf.	Guideline 14.3

### Principle 15: Communication with Shareholders

The Company strives to ensure timely disclosure of material business matters affecting the Group. Price sensitive announcements including quarterly and full-year results are released through SGXNET. The Company takes all reasonable efforts to ensure that it does not practise selective disclosure of material information.	Guideline 15.1 and Guideline 15.2
At general meetings, shareholders are given the opportunity to air their views and ask questions regarding the Group and its business either formally or informally. These meetings provide excellent opportunities for the Board to engage with shareholders to solicit and understand their views.	Guideline 15.3 and Guideline 15.4
The Company 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, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate.	Guideline 15.5
The Board has not declared or recommended a dividend for FY2018 in order to preserve adequate financial resources to meet operational and development requirements of the Group.	

# CORPORATE GOVERNANCE REPORT

## Principle 16: Conduct of Shareholder Meetings

To encourage shareholder participation, the Company holds its AGM at a location that is easily accessible by public transport. The Constitution allows a member of the Company to appoint up to two proxies to attend and vote in place of the member. Guideline 16.1

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. Guideline 16.2

The Chairmen of AC, RC and NC or their representatives are available at the general meeting to answer questions relating to the respective committees. The external auditors are also available to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Guideline 16.3

Minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request. Guideline 16.4

The Company put all resolutions to vote by poll and announcement of the detailed results of the general meetings are released on the SGXNET after the general meetings. Guideline 16.5

## DEALINGS IN THE COMPANY'S SECURITIES

The Group has adopted its own internal compliance code in relation to dealings in the Company's securities modelled on the Listing Rule 1207(19) of the SGX-ST's Listing Manual. The Group's officers who are likely to be privy to unpublished price-sensitive and confidential information are not allowed to deal in the Company's shares while in possession of such information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial results and ending on the date of the announcement of the results. The officers should not deal in the Company's securities on short-term considerations. Directors and officers are also expected to observe insider trading laws at all times.

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all interested person transactions are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There was no interested person transaction for FY2018.

The AC will review all interested person transactions to ensure that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO or any director or substantial shareholder.

# STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

## SHARE CAPITAL

Paid-up Capital	: S\$71,855,707.32
Number of Shares (including Treasury Shares)	: 347,438,763
Number of Shares (excluding Treasury Shares)	: 342,024,763
Number/*Percentage of Treasury Shares	: 5,414,000/1.58%
Number of Subsidiary Holdings Held	: Nil
Class of Share	: Ordinary shares
Voting Rights (excluding Treasury Shares)	: One vote per share

\* Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	Name	No. of Share held		Total	%
		Direct Interest	Deemed Interest		
1	Estate of Kao Shin Ping, deceased (the "Estate") <sup>(a)</sup>	–	143,195,691	143,195,691	41.87
2	Kao Ching Fong nee Pan ("Mrs. Kao") <sup>(b)</sup>	34,560,576	87,427,527	121,988,103	35.67
3	Kao Chuan Chi <sup>(c)</sup>	–	102,821,036	102,821,036	30.06
4	Kao Chuan Trong <sup>(d)</sup>	–	102,070,728	102,070,728	29.84
5	Kao Hsien Yuan <sup>(e)</sup>	–	99,628,273	99,628,273	29.13
6	San Teh Xing Investment Pte Ltd ("STX") <sup>(f)</sup>	4,000,000	64,838,140	68,838,140	20.13
7	Poh Choo Bin <sup>(g)</sup>	19,211,164	–	19,211,164	5.62

### Notes:

- (a) The Estate is deemed to have interests in:  
74,357,551 shares held by it through Raffles Nominees (Pte) Ltd;  
64,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of its 60% direct shareholding interest in STX; and  
4,000,000 shares held by STX by virtue of its 60% direct shareholding interest in STX.
- (b) Mrs. Kao is deemed to have interest in:  
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;  
64,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and  
4,000,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (c) Mr. Kao Chuan Chi is deemed to have interest in:  
15,393,508 shares held by him through DBSN Services Pte. Ltd.;  
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;  
64,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and  
4,000,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (d) Mr. Kao Chuan Trong is deemed to have interest in:  
14,643,200 shares held by him through DBSN Services Pte. Ltd.;  
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;  
64,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and  
4,000,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (e) Ms. Kao Hsien Yuan is deemed to have interest in:  
12,200,745 shares held by her through Raffles Nominees (Pte) Ltd;  
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;  
64,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and  
4,000,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (f) The 64,838,140 shares are held by STX through Raffles Nominees (Pte) Ltd. Mrs. Kao and her 3 children who are above 21 years old are considered to have beneficial interest for the shares held by the Estate in the STX. By virtue of their 25% each, direct and indirect shareholding interest in STX, each of them is therefore deemed to be interested in the 20.13% of the shares in the capital of the Company held by STX.
- (g) Of the 19,211,164 shares in which Mr. Poh Choo Bin has an interest, 9,364,500 shares are registered in the name of nominees.
- (h) Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

Based on the information available to the Company as at 18 March 2019, approximately 27.33% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

# STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	112	3.22	5,021	0.00
100 - 1,000	536	15.39	230,706	0.07
1,001 - 10,000	1,853	53.22	8,702,336	2.55
10,001 - 1,000,000	966	27.74	42,491,550	12.42
1,000,001 and above	15	0.43	290,595,150	84.96
<b>Total</b>	<b>3,482</b>	<b>100.00</b>	<b>342,024,763</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE.) LIMITED	162,437,132	47.49
2	MRS KAO CHING-FONG NEE PAN	34,560,576	10.10
3	DBSN SERVICES PTE. LTD.	30,036,709	8.78
4	DBS NOMINEES (PRIVATE) LIMITED	14,479,718	4.23
5	POH CHOO BIN	9,846,664	2.88
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,317,850	2.72
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,079,253	2.07
8	CHUANG WEN FU	6,146,944	1.80
9	SAN TEH XING INVESTMENT PTE LTD	4,000,000	1.17
10	PHILLIP SECURITIES PTE LTD	3,748,428	1.10
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,057,574	0.89
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,893,502	0.55
13	LEE SU LAN	1,390,800	0.41
14	CHAN LAI CHING	1,300,000	0.38
15	GUI KIM YOUNG @ GUI KIM GAN	1,300,000	0.38
16	ANG JUI KHOON	862,000	0.25
17	LEE MUI HIANG	823,400	0.24
18	YEE LAT SHING	800,000	0.23
19	KUEK TONG AU	748,800	0.22
20	ANG AH BENG	739,000	0.22
<b>Total</b>		<b>294,568,350</b>	<b>86.11</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of the Company will be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Tuesday, 30 April 2019 at 2.00 p.m., for the purpose of transacting the following business:-

## As Ordinary Business

1. To receive and adopt the Statement by Directors and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon. **(Resolution 1)**
2. (a) To re-elect Mr. Chuang Wen Fu, who retires pursuant to Clause 102 of the Constitution of the Company and being eligible offers himself for re-election as Director.  
  
(Mr. Chuang Wen Fu will, upon re-election, continue to serve as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information under Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.) **(Resolution 2a)**
- (b) To re-elect Mr. Ko Chuan Aun, who retires pursuant to Clause 102 of the Constitution of the Company and being eligible offers himself for re-election as Director.  
  
(Mr. Ko Chuan Aun will, upon re-election, continue to serve as member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information under Rule 720(6) of the Listing Manual of the SGX-ST can be found in the Annual Report.) **(Resolution 2b)**
3. To approve Directors' Fees of S\$136,000.00 for the year ended 31 December 2018 (2017: S\$136,000.00). **(Resolution 3)**
4. To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## As Special Business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-

6. Authority to allot and issue shares up to fifty per cent (50%) of the total number of issued shares excluding Treasury Shares and subsidiary holdings in the capital of the Company  
  
THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force, provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of 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, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of 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 and that such authority shall continue in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company.  
(See Explanatory Note) **(Resolution 5)**

By order of the Board

LIM WEE TZIANG  
Company Secretary  
12 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Note:

The ordinary resolution no. 5 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding Treasury Shares and subsidiary holdings in the capital of the Company for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.

The percentage of the issued share capital is based on the number of issued shares excluding Treasury Shares and subsidiary holdings in the capital of the Company at the time of the passing of the ordinary resolution no. 5 above after adjusting for (a) new shares arising from the conversion or exercise of convertible securities (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares.

## Notes:

1. A member of the Company (except the relevant intermediary mentioned under Note 2 below) entitled to vote at the above Meeting is entitled to appoint one or two proxies to attend in his stead. Such proxy need not be a member of the Company and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or on shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
3. The instrument or form appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a body corporate, signed by an attorney duly authorised, or by a duly authorised officer on behalf of the corporation, or the common seal must be affixed thereto.
4. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office not less than 48 hours before the time for holding the above Meeting.



## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Information for the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is set out below:

	<b>Mr. Chuang Wen Fu</b>	<b>Mr. Ko Chuan Aun</b>
Date of appointment	1 June 1982	16 August 2010
Date of last re-appointment (if applicable)	28 April 2017	28 April 2017
Age	74	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Chuang as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation. Mr. Chuang has vast experience in business and management. His experience will continue to enhance Board deliberations and benefit the Group.	The re-election of Mr. Ko as Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation. Mr Ko has many years of business investment and management experience. His experience, business network and industry knowledge will continue to enhance Board deliberations and benefit the Group.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.	Independent Director, member of the Audit Committee and Remuneration Committee.
Professional qualifications	Diploma in Science (Survey Engineering)	Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme
Working experience and occupation(s) during the past 10 years	Executive Chairman of Memtech International Ltd.	Mr. Ko is currently the Executive Advisor to CleanMark Solutions Pte Ltd. Prior to that, he was the Executive Director and President of KOP Ltd.
Shareholding interest in San Teh Ltd and its subsidiaries	6,146,944 shares in San Teh Ltd	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, San Teh Ltd and/or substantial shareholder of San Teh Ltd or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to San Teh Ltd	Yes	Yes
Other principal commitments including directorship – past (for the last 5 years)	Nil	Directorships: Super Group Ltd KOP Ltd

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Chuang Wen Fu	Mr. Ko Chuan Aun
Other principal commitments including directorship – present	Directorships: Memtech International Ltd Memtech Electronic Products Co., Ltd Dongguan Memtech Electronic Products Co., Ltd Huzhou Memtech Electronic Industries Co., Ltd Memtech Technologies Holdings Co., Ltd Nantong Memtech Technologies Co., Ltd Taitech Precision Electronic (Kunshan) Co., Ltd Nantong Santeh Hotel Co., Ltd Keytech Investment Pte Ltd	Directorships: HSK Resources Pte Ltd Singapore Koh Clan Association Ltd Koon Holdings Ltd KSH Holdings Ltd Lian Beng Group Ltd Pavillon Holdings Ltd

Information required pursuant to Listing Rule 704(7)		
	Mr. Chuang Wen Fu	Mr. Ko Chuan Aun
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law or any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied 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 (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has even been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Chuang Wen Fu	Mr. Ko Chuan Aun
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or government body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No No No No	No No No No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

This page has been intentionally left blank.

# SAN TEH LTD

(Company Registration No.: 197901039W)  
(Incorporated in the Republic of Singapore)

## PROXY FORM - ANNUAL GENERAL MEETING

### Important:

1. For investors who have used their CPF monies to buy shares of San Teh Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors.

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Co. Registration Number)

of \_\_\_\_\_ (Address)

being a member/members of SAN TEH LTD hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

--	--	--	--

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Tuesday, 30 April 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his discretion, as he will on any other matter arising at the Meeting.

No.	Ordinary Resolution	For	Against
1	To receive and adopt the Statement by Directors and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon.		
2(a)	To re-elect Mr. Chuang Wen Fu (under Clause 102).		
2(b)	To re-elect Mr. Ko Chuan Aun (under Clause 102).		
3	To approve the Directors' fees.		
4	To re-appoint auditors and to fix their remuneration.		
5	To authorise Directors to issue/allot shares in the Company.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019



Total Number of  
Shares Held

\_\_\_\_\_  
Signature(s) of Shareholder(s)/  
Common Seal of Corporate Shareholder

## Notes

1. A member (except the relevant intermediary mentioned under Note 3 below) entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. He should indicate clearly how he would like the proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
2. Where a member appoints more than one proxy, the appointments shall be deemed to be alternative unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy will be revoked, and in such event, the Company reserves the right to refuse and admit any person or persons appointed under the instrument of proxy to the meeting.
5. A proxy need not be a member of the Company.
6. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 701 SIMS DRIVE #06-01 LHK BUILDING, SINGAPORE 387383 not less than 48 hours before the time set for the Meeting.
8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
9. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

## GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered on the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name on 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.

## PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



701 Sims Drive #06-01 LHK Building  
Singapore 387383  
Tel: 6749 6386 Fax: 6742 9398