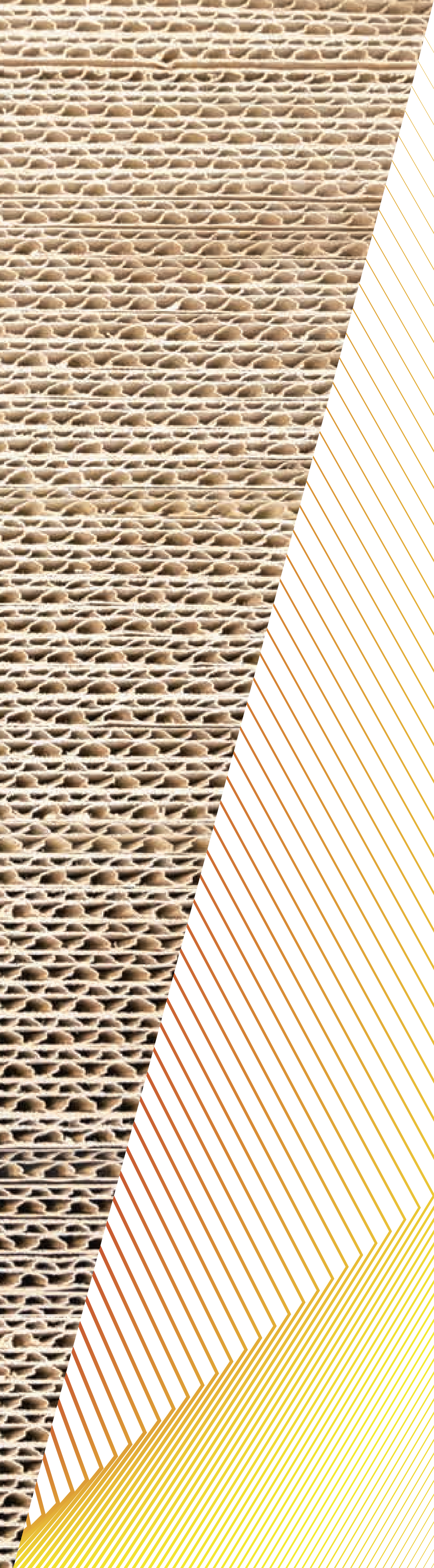

TAT SENG PACKAGING GROUP LTD

ANNUAL REPORT 2018

OUR MISSION

To be the preferred corrugated packaging products supplier.

Tat Seng strives to position ourselves as the first name that comes to mind whenever cartons and other corrugated packaging products are required.

Tat Seng progresses through continuous improvements, so as to remain a key supplier in the corrugated packaging industry and to maintain our continuous growth in the marketplace.

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EXECUTIVE CHAIRMAN'S STATEMENT

The Group is heartened to register continued profitability for FY2018, and achieved revenue and net profit of S$333.3 million and S$21.1 million respectively

DEAR SHAREHOLDERS,

The Group is pleased to present the annual report for the full year ended 31 December 2018 ("**FY2018**"). We have managed to deliver a stable performance in spite of moderating growth in the global economy.

FINANCIAL HIGHLIGHTS FY2018

The Group registered revenue of S$333.3 million in FY2018, translating to an increase of 10.0% or S$30.3 million as compared to S$303.0 million in FY2017.

During the year in review, total revenue of China's operations gained by 9.6% or S$25.2 million in the Group's reporting currency (SGD) in FY2018, mainly due to our China subsidiaries' ability to raise its selling price and passing on a part of the increased cost of raw material to our customers. The increase of revenue was also partly attributed to higher sales volume.

Total revenue achieved by the Singapore entities in FY2018 surged by 12.8% or S$5.1 million from S$39.9 million in the previous year due to higher demand from its customers.

In spite of this, the Group's gross profit slipped by 1.5% to S$60.5 million during the year. The decrease in gross profit margin of 2.1% was attributed to higher raw material costs as compared to FY2017.

Separately, other income increased by S$1.9 million in FY2018 mainly attributed to net exchange gain of S$0.8 million and an increase in S$0.8 million of government grant.

Distribution and selling expenses were also up by S$1.0 million or 6.7%, which was in line with the increase of turnover.

General and administrative expenses rose by S$0.8 million in FY2018 led by higher staff costs and partly attributable to additional property tax of the new factory of Nantong Tat Seng Packaging Co., Ltd. ("**Nantong Tat Seng**") and professional fees.

Other expenses increased by S$0.3 million in FY2018 as compared to FY2017 mainly due to impairment losses on property, plant and equipment which were higher by S$0.5 million, but partially offset by reduction in net exchange loss.

Meanwhile, finance costs gained by 34.8% in the financial year under review as compared to the year before mainly attributed to the financing of new plant, Nantong Tat Seng.

As a result, the net profit attributable to owners of the Company decreased by 5.0% or S$1.0 million in FY2018 against FY2017, while net asset value per ordinary share increased from S$0.74 as at 31 December 2017 to S$0.82 as at 31 December 2018.

Our capital expenditure was S$30.6 million in FY2018 as compared to S$16.5 million in FY2017. A significant portion of this expenditure was deployed in the new plant of Nantong Tat Seng via stable financing from reputable financial institution.

We generated a strong cash flow of S$27.7 million from operations and ended the year with additional increase of S$21.4 million of cash and cash equivalents excluding bank balances pledged as security.

PERFORMANCE REVIEW

During the year, we undertook automation to enhance our production speed and efficiency. We managed to increase our production output by increasing usage of existing production facilities, enabling us to achieve lower production cost per unit. Concurrently, we also invested in new machines with higher production efficiency. As automation helped the Group to reduce reliance on manpower, it also improved our product quality and provided higher flexibility in production scheduling, allowing us to fulfill higher printing quality demands by customers.

In fact, our customer base has increased as evident in our higher sales achieved. We secured new sales from potential customers and increased sales orders from existing customers in both our China and Singapore markets largely due to process automation. We will continue to work closely with our potential and existing customers to better understand their needs and develop our operations according to their needs.

Meanwhile, depressed margins caused by rising raw material costs have propelled us to seek alternative raw material sources beyond our traditional suppliers, in order to arrest the falling profit margin.

SINGAPORE OPERATIONS

In FY2018, total revenue achieved by the Singapore segment increased by 12.8% or S$5.1 million to S$45.0 million against S$39.9 million in FY2017 mainly due to higher demand from our customers and increased market share through our continuous process upgrades which resulted in better service and better product quality. During the year, our Singapore's corrugator line has been upgrading progressively that has further enhanced the efficiency and achieved higher production output.

After the acquisition and installation of the advanced wastewater treatment equipment, additional measures has also been implemented in order to comply with the regulatory requirement as we strive to uphold our commitment to responsible operations. We will continue to work towards further enhancing our industrial used water management practices.

CHINA OPERATIONS

Our China segment continued to be our main revenue contributor, accounting for 86.5% of the Group's revenue. Total revenue of China's operations increased by 9.6% or S$25.2 million to S$288.3 million as attributed to our China subsidiaries' ability to raise its selling price and passed on part of the increased raw material cost to our customers. Higher sales volume also contributed to the revenue hike.

Our Suzhou plant reported continual revenue growth in FY2018. During the year, we have undertook greater efforts to improve our workplace safety, enhance environmental pollution control and also wastewater discharge control measures.

EXECUTIVE CHAIRMAN'S STATEMENT

Separately, our Hefei plant installed a high-speed flexo folder gluer printing machine that enhanced our operational speed and efficiency. Against the backdrop of a local huge population base and rising affluence of the middle-class which provided firm support for the China domestic fast-moving consumer goods ("**FMCG**") and consumer electronics markets, our automation upgrade has led to an increase in demand for our packaging products of Hefei plant.

Concurrently, our Tianjin plant also delivered higher output to fulfill the demand of its existing and new customers, turning profitability around even as China's GDP growth in 2018 slowed.

DEVELOPMENT OF NEW FACTORY IN CHINA

Our China subsidiary, Nantong Tat Seng has successfully set up an additional plant in Tongzhou District, Nantong, Jiangsu Province. The new plant will be ready to commence operation in March 2019, while Nantong Hengcheng Paper Industry Co., Ltd. ("**Nantong Hengcheng**") will cease its manufacturing activities. Nantong Tat Seng will take over the existing clients from Nantong Hengcheng. With this development, the Group will be able to use the new plant as a platform to gain access to new business opportunities and further facilitate the expansion of our market share in Nantong and its surrounding areas.

DIVIDEND ANNOUNCEMENT

In view of the Group's stable performance, the Board is pleased to propose a final dividend of S$0.02 per ordinary share as a form of appreciation for our shareholders. This is subject to shareholders' approval at the upcoming Annual General Meeting. If approved, this will bring the total dividend payout for FY2018 to S$0.03 per ordinary share, taking into account an interim ordinary dividend of S$0.01 paid on 28 September 2018.

CORPORATE SOCIAL RESPONSIBILITY

Beyond our drive for business performance, we have always been a firm supporter of social and environmental causes.

We recognise the importance of environmental sustainability and make responsible decisions to reduce our business' negative impact on the environment. We now procure a significant portion of our paper roll raw material from FSC® certified suppliers.

We also continue to make contributions towards our community charities each year. Last year, we sponsored the Rajan Menon Foundation Charity Golf 2018 tournament, the Singapore Cancer Society, the Singapore Association for the Deaf and funded one scholarship under the Republic Polytechnic Education Fund for a Diploma in Social Enterprise Management.

Additionally, our corporate social responsibility efforts also extended to the overseas community where our Suzhou plant donated to Suzhou Xiangcheng Charity Foundation.

FUTURE PROSPECTS

In view of the rising economic uncertainty brought about by the trade tensions between China and US, the Group expects its operating environment to be more challenging. As a result, this may impact the market conditions in both China and Singapore, leading to further rise in the costs of raw materials. Our Singapore entities may experience higher raw material costs due to fluctuation in currency exchange between USD and SGD. As for our China entities, increasing environmental awareness and stringent anti-pollution measures implemented by the China government will likely increase the cost of raw materials and manufacturing, leading to higher production cost per unit.

In light of these developments, the Group will continue to exercise vigilance on its credit exposure and maintain a healthy financial position.

We are also facing increasing difficulty in recruiting new staff due to manpower shortage, leading to the continuous increase in labour cost. As such, we will invest and capitalise more on automation to enhance our product quality and production efficiency as we strengthen our staff training programme to boost our skill set.

We will continue to build a stronger foundation through various improvement projects that involve upgrading, assessing and evaluating the function of our equipment and facilities to stay relevant to the production requirements, so as to create sustainable growth for the Group.

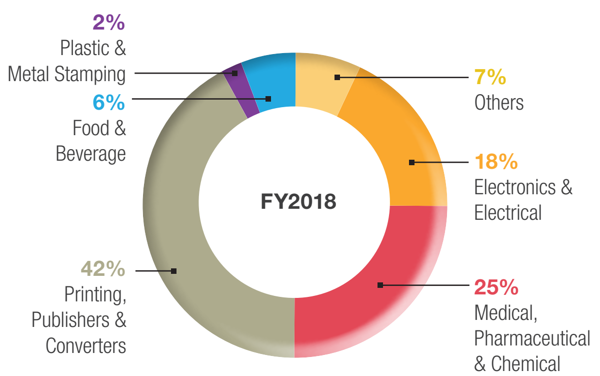
ACKNOWLEDGEMENTS

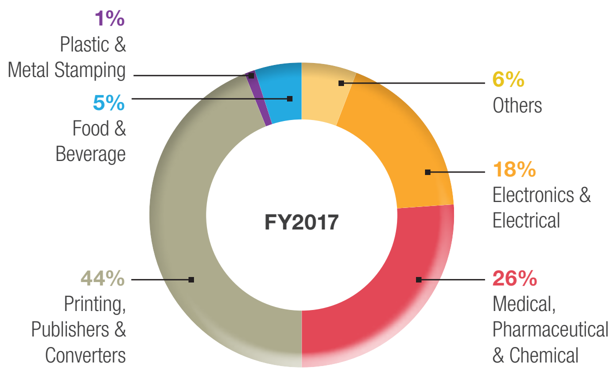
On behalf of the Board, I would like to express my appreciation to the management and staff for their invaluable contribution and hard work that has helped steer the Group towards greater excellence. I would also like to thank our Board of Directors, valued shareholders, business associates and customers for their unwavering trust and support over the years. As the Group's success serves as testament to our capabilities, so does our people to our commitment. I believe that together we can achieve even greater success in the years to come.

Dr Allan Yap
Executive Chairman

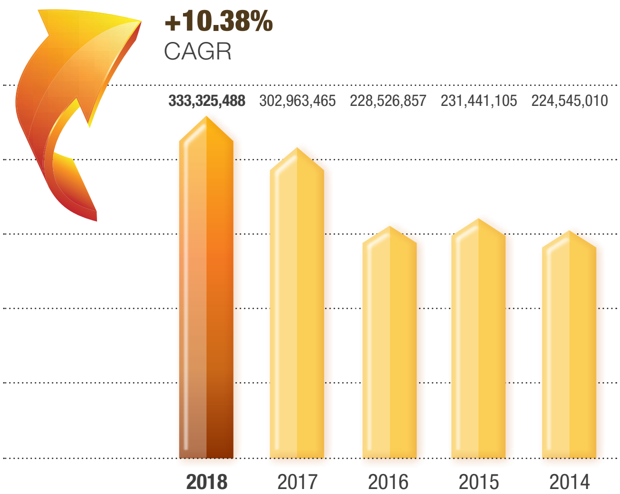
FINANCIAL HIGHLIGHTS

SALES ANALYSIS BY CUSTOMER SECTOR FOR FY2018 & FY2017

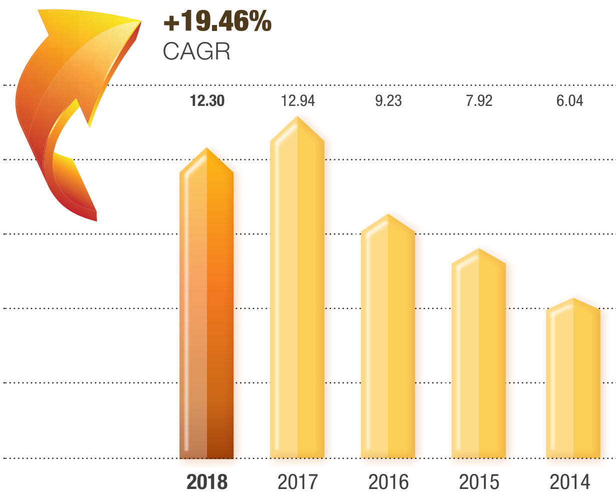




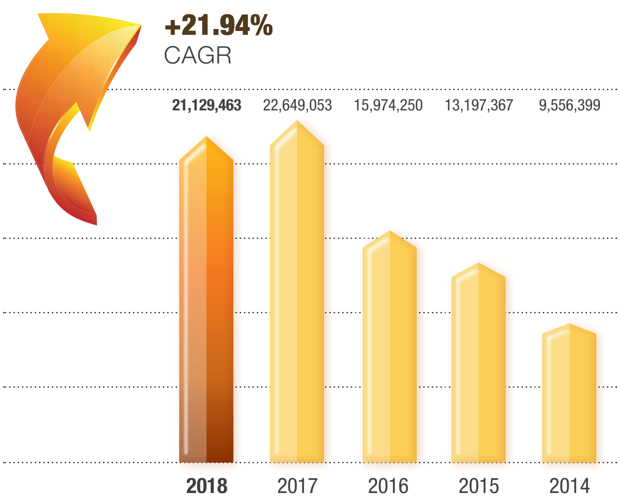
TURNOVER (S$)



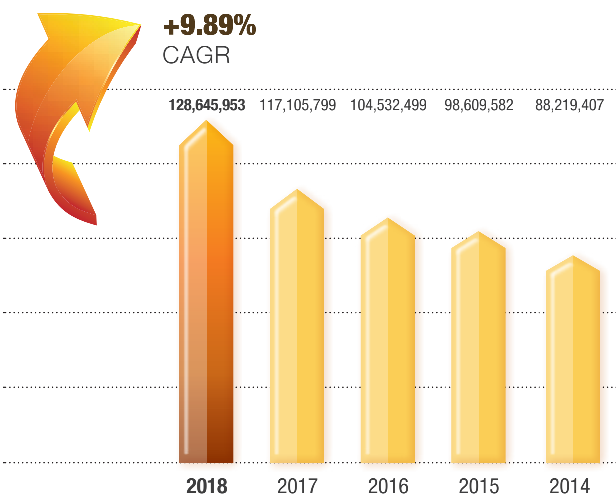
EARNINGS PER SHARE (CENTS)



PROFIT FOR THE YEAR (S$)



SHAREHOLDERS' EQUITY (S$)



FIVE-YEAR FINANCIAL SUMMARY

FINANCIAL YEAR ENDED 31 DECEMBER

Results of Operations		FY2018	FY2017	FY2016	FY2015	FY2014
Revenue	(S$)	**333,325,488**	302,963,465	228,526,857	231,441,105	224,545,010
Gross profit	(%)	**18.2**	20.3	22.6	21.1	20.2
Profit before tax	(S$)	**25,913,051**	27,476,442	21,455,308	17,227,214	13,430,924
Profit attributable to owners of the Company	(S$)	**19,337,618**	20,348,862	14,514,700	12,442,243	9,489,943
Profit for the year	(%)	**6.3**	7.5	7.0	5.7	4.3
EBITDA	(S$)	**34,551,099**	35,188,270	28,809,325	25,424,230	21,789,356

Financial Indicators		FY2018	FY2017	FY2016	FY2015	FY2014
Return on shareholders equity	(%)	**15.0**	17.4	13.9	12.6	10.8
Earnings per share	(cents)	**12.30**	12.94	9.23	7.92	6.04
Net asset value per share	(cents)	**0.82**	0.74	0.66	0.63	0.56
Dividend per share*	(cents)	**0.03**	0.03	0.04	0.03	0.02
Cash and bank balances	(S$)	**59,492,185**	40,022,193	45,447,739	37,359,540	18,812,221
Net debt to equity ratio	(%)	**19.9**	17.0	-7.5	-3.2	15.1

* Based on dividend declared for the financial year

GROUP STRUCTURE

AS AT 31 DECEMBER 2018

TAT SENG PACKAGING GROUP LTD

- 100% — **United Packaging Industries Pte. Ltd.** (Singapore)
- 100% — **Tat Seng Packaging (Suzhou) Co., Ltd.** (China)
  - 70% — **Nantong Hengcheng Paper Industry Co., Ltd.** (China)
    - 100% — **Nantong Tat Seng Packaging Co., Ltd.** (China)
- 94.4% — **Hefei Dansun Packaging Co., Ltd.** (China)
- 67% — **Tianjin Dansun Packaging Co., Ltd.** (China)

BOARD OF DIRECTORS

Dr Allan Yap, 63

Executive Chairman

Date of first appointment as director : 21 November 2005
Date of last re-election as director : 21 April 2017

Dr Allan Yap is the Executive Chairman of the Company and he has drawn over 30 years of experience in finance, investment and banking.

Dr Yap is the Executive Chairman of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited. He also serves as the Chairman and Executive Director of Master Glory Group Limited and Rosedale Hotel Holdings Limited, both are companies listed on The Stock Exchange of Hong Kong Limited.

Dr Yap is also the Chairman, Chief Executive Officer and Director of China Enterprises Limited whose shares are traded on the OTC Securities Market in the United States of America and Burcon NutraScience Corporation, a company listed on the Toronto Stock Exchange in Canada, NASDAQ Stock Exchange in the United States of America and the Frankfurt Stock Exchange in Germany.

Dr Yap is the spouse of Dr Tang Cheuk Chee, the Executive Director of the Company.

Dr Yap holds an Honorary Degree of Doctor of Laws from the University of Victoria, Canada.

Dr John Chen Seow Phun, 65

Deputy Chairman, Non-Executive and Independent Director

Date of first appointment as director : 21 November 2005
Date of last re-election as director : 20 April 2018

Dr John Chen is the Deputy Chairman, Non-Executive and Independent Director, the Chairman of the Remuneration Committee and the Nominating Committee and a member of the Audit Committee of the Company.

Dr Chen was a Member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. He was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development.

Dr Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. He taught at the National University of Singapore from 1983 to 1991.

Dr Chen is presently the Deputy Chairman, Non-Executive and Independent Director of Hanwell Holdings Limited, Executive Chairman of Pavillon Holdings Ltd and sits on the Board of a number of public listed companies in Singapore. He is also the Chairman of SAC Capital Pte Ltd.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.

BOARD OF DIRECTORS

Mr Loh See Moon, 67

Managing Director/Chief Executive Officer

Date of first appointment as director : 22 December 1977
Date of last re-election as director : NA

Mr Loh was first appointed to the Board of the Company on 22 December 1977 as Director and was appointed as the Company's Managing Director on 21 November 2005. Subsequent to his appointment as the Managing Director of the Company, he is not subject to retirement by rotation. He has more than 40 years of experience in the corrugated packaging industry.

Mr Loh is a Director and Legal Representative of the Company's subsidiaries established in the People's Republic of China namely, Tianjin Dansun Packaging Co., Ltd., Hefei Dansun Packaging Co., Ltd., Nantong Hengcheng Paper Industry Co., Ltd., Nantong Tat Seng Packaging Co., Ltd. and Tat Seng Packaging (Suzhou) Co., Ltd. which have been actively involved in the corrugated packaging industry in the People's Republic of China.

Mr Loh is a member of the Risk Management Committee of the Company.

Mr Loh holds a Bachelor of Science Degree from the Nanyang University, Singapore.

Dr Tang Cheuk Chee, 47

Executive Director

Date of first appointment as director : 01 October 2011
Date of last re-election as director : 20 April 2018

Dr Tang has a wealth of management experience and is well versed in marketing, business development and investments in property and securities.

Dr Tang is also an Executive Director of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited.

Dr Tang is the spouse of Dr Allan Yap, the Executive Chairman of the Company.

Dr Tang holds an Honorary Doctorate of Management from Lincoln University, United States and awarded Fellowship from the Asian College of Knowledge Management.

BOARD OF DIRECTORS

Madam Cheong Poh Hua, 62

Executive Director

Date of first appointment as director : 01 July 2002
Date of last re-election as director : 21 April 2017

Madam Cheong has extensive experience in accounting and finance, corporate management and business administration.

Madam Cheong is a Director of the Company's subsidiaries established in the People's Republic of China namely, Hefei Dansun Packaging Co., Ltd., Nantong Hengcheng Paper Industry Co., Ltd. and Tat Seng Packaging (Suzhou) Co., Ltd. which have been actively involved in the corrugated packaging industry in the People's Republic of China.

Madam Cheong is a member of the Risk Management Committee of the Company.

Madam Cheong holds a Bachelor of Commerce Degree in Accountancy from Nanyang University, Singapore. She is a member of the Institute of Singapore Chartered Accountants.

Mr Lien Kait Long, 71

Non-Executive and Lead Independent Director

Date of first appointment as director : 24 November 2005
Date of last re-election as director : 22 April 2016

Mr Lien is the Non-Executive and Lead Independent Director, the Chairman of the Audit Committee and the Risk Management Committee and a member of the Nominating Committee and Remuneration Committee of the Company. Mr Lien has more than 40 years' experience in accounting and finance, corporate management and business investment.

Mr Lien sits on the Board of several Singapore and Chinese companies listed on the Singapore Exchange Securities Trading Limited namely China Jishan Holdings Limited, Renewable Energy Asia Group Limited, Falcon Energy Group Limited and China Real Estate Grp Ltd. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States of America.

Mr Lien holds a degree in Bachelor of Commerce from Nanyang University, Singapore. He is a fellow of the Institute of Singapore Chartered Accountants and CPA Australia since July 2004 and May 2004 respectively.

BOARD OF DIRECTORS

Mr Lee Po On Mark, 63

Non-Executive and Independent Director

Date of first appointment as director : 22 April 2016
Date of last re-election as director : 21 April 2017

Mr Lee is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee and Nominating Committee of the Company.

Mr Lee is the Executive Director and Group CEO of Television Broadcasts Limited ("TVB"), a company listed on the Stock Exchange of Hong Kong Limited and holds directorships in a number of the subsidiaries of TVB. Mr Lee is also a Non-Executive and Independent Director of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited.

Before joining TVB and during the period from 1988 to early 2007, Mr Lee worked as an Executive Director of a Hong Kong listed consortium which engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr Lee also took up the position of Executive Director and CEO of Asia Television Limited which was a former affiliate of the consortium.

During the period from 1977 to 1987, Mr Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai.

Mr Lee is a Fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

Mr Kong WeiLi, 52

Non-Executive and Independent Director

Date of first appointment as director : 1 March 2019
Date of last re-election as director : NA

Mr Kong is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

Currently, Mr Kong is the Plant Financial Controller of Sanmina-SCI Systems Singapore Pte. Ltd. It is a subsidiary of a US MNC Sanmina Corporation that provides high end technology solutions to Original Equipment Manufacturers primarily in the communication networks, computing and storage, medical, defense and aerospace, industrial and semiconductor sectors.

Before joining Sanmina and during the period from 2008 to 2015, Mr Kong worked as Financial Controller of SMOE Pte Ltd (a subsidiary of Sembcorp Marine Ltd) a company specializing in Turnkey EPCIC, Offshore platforms and Topside modules fabrication, installation and integration. Mr Kong has more than 25 years' experience and leadership skills in accounting, finance and risk management.

Mr Kong is a Fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.

BOARD OF DIRECTORS

Mr Siu Wai Kam, 47

Non-Executive and Independent Director

Date of first appointment as director : 1 March 2019
Date of last re-election as director : NA

Mr Siu is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

Since June 2013, Mr Siu has been the Assistant Director, Communications & IT of the Singapore Institute of Technology. Mr Siu has more than 19 years of experience in the information technology field. His expertise includes project management, system architecture and security, cloud computing, IT governance, strategy planning and risk management.

Mr Siu holds a Master of Philosophy in Electronic Engineering and a Bachelor degree in Electronic Engineering, both from City University of Hong Kong.

Mr Goh Yang Jun, Jasper, 37

Non-Executive and Independent Director

Date of first appointment as director : 1 March 2019
Date of last re-election as director : NA

Mr Jasper Goh is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

Mr Goh has more than 10 years of work experience since graduating from the National University of Singapore in 2007 with a Bachelor of Science – Applied Mathematics & Economics, specialising in Financial Mathematics and Operation Research (Management Science).

Mr Goh is currently the Managing Partner of Back Office Partners Pte Ltd and Lead Business Development, Asterisk Computer (FE) Pte Ltd.

CORPORATE
REPORTS

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CORPORATE GOVERNANCE STATEMENT

Tat Seng Packaging Group Ltd (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are committed to setting and maintaining high standards of corporate governance as well as promoting corporate transparency by adhering closely to the principles and guidelines set out in the Code of Corporate Governance 2012 Code ("**2012 Code**"). Whilst the Company is not yet required to comply with the revised Code of Corporate Governance 2018 ("**2018 Code**"), the Company has, where possible, taken steps to adhere to its intent.

This Statement describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the 2012 Code and should be read as a whole, instead of being read separately under the different principles of the 2012 Code. The Company has complied in all material aspects with the principles and guidelines set out in the 2012 Code and any deviations are explained in this report.

1 BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

1.1 Role of the Board

The Company is headed by an effective Board, comprising individuals with diversified backgrounds and who collectively brings with them a wide range of experience, to lead and control the Group. The Board is responsible for the overall management and success of the Group. The primary role of the Board is to oversee the Group's business performance and affairs, and to protect and enhance long-term shareholder value. To fulfil this, apart from its statutory responsibilities, the Board performs the following roles and functions:

- providing entrepreneurial leadership and setting strategic directions and objectives of the Group;
- approving major funding proposals, investment and divestment proposals of the Group;
- reviewing the performance of management by establishing management's goals and monitoring the achievement of such goals;
- reviewing and endorsing the remuneration framework as may be recommended by the Remuneration Committee;
- supervising management in ensuring that the Company has the necessary resources to meet its goals and establish a framework of prudent and effective controls to assess and manage risks;
- overseeing the processes of risk management, financial reporting and compliance and evaluating the adequacy of internal controls;
- considering sustainability issues, such as environmental and social factors, as and when necessary, as part of its strategic formulation; and
- assuming the responsibilities for corporate governance.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE STATEMENT

1.2 Board Processes

To ensure that specific issues are subject to considerations and review before the Board makes its decision, the Board has established a number of Board Committees to assist the Board in carrying out more effectively its oversight function. These Board Committees consist of Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Risk Management Committee ("**RMC**") (collectively the "**Board Committees**").

The composition of the Board Committees for 2018 are as follows:

Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
John Chen Seow Phun	Member	Chairman	Chairman	–
Lien Kait Long	Chairman	Member	Member	Chairman
Lee Po On Mark	Member	Member	Member	–
Loh See Moon	–	–	–	Member
Cheong Poh Hua	–	–	–	Member

These Board Committees function within clear Board-approved written terms of reference. Such terms of reference will be reviewed by the Board and Board Committees on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committees meetings which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meeting, are circulated and available to the Board and Board Committees.

The roles and responsibilities of these Board Committees are set out in the subsequent sections of this Corporate Governance Statement of the Company.

1.3 Board and Board Committees Meetings held in Financial Year 2018

The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year 2018 is disclosed below:

	Board	Board Committees			
		Audit	Nominating	Remuneration	Risk Management
Number of scheduled meetings held	**2**	**2**	**1**	**1**	**1**
Directors	Attendance				
Allan Yap	1	–	–	–	–
Loh See Moon	2	2*	–	1*	1
Tang Cheuk Chee	2	2*	–	–	–
Cheong Poh Hua	2	2*	–	1*	1
John Chen Seow Phun	2	2	1	1	–
Lien Kait Long	2	2	1	1	1
Lee Po On Mark	2	2	1	1	–

* Attendance by invitation of the relevant committee

CORPORATE GOVERNANCE STATEMENT

The schedules of the Board and Board Committees meetings are given to all Directors well in advance. The Board meets at least twice a year. Besides the scheduled half-yearly Board meetings, the Board also meets on an ad-hoc basis as warranted by circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's business operations, conduct strategic review of the business affairs and address other specific significant matters that arise.

The Company's Constitution provides for the convening of the Board meetings by way of telephonic, video conferencing or other similar means of electronic communication. The Board also approves material and/or significant transactions by way of written resolutions which are circulated to the Directors together with all relevant and supporting information.

The agendas for meetings are prepared in consultation with the Executive Chairman, Managing Director/ Chief Executive Officer, the Executive Director and/or the Chairman of the respective Board Committee. The agendas and meeting materials are circulated in advance of the scheduled meetings to the members of the Board and/or Board Committees.

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/ or Board Committees meetings.

1.4 Matters Requiring Board Approval

The Directors have identified a few areas for which the Board has direct responsibility for decision making (which are embodied in its internal guidelines) such as the following:

- annual budgets and financial plans of the Group;
- approval of the annual and half-yearly results announcements;
- approval of the annual report and financial statements;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board's changes and appointments to Board Committees;
- investments and divestments decisions including the Group's capital commitments; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

CORPORATE GOVERNANCE STATEMENT

1.5 Board Development and Training

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The NC ensures all Directors are equipped with the appropriate skills and relevant industry knowledge to perform their roles on the Board and Board Committees effectively.

The Directors also have the opportunity to visit the Group's operations facilities and meet with Management for further explanations, briefings or discussions on key aspects, to gain insight for a better understanding of the Group's business and operations.

The Company will prepare appointment letters setting out Directors' duties and obligations. Newly appointed Directors are also briefed on the business and organisational structure of the Group and its strategic directions and are encouraged to go for site visits of the Group's operating units to familiarise themselves with the Group's business practices.

Directors are updated periodically on industry trends and development of sustainability issues, relevant laws, regulations, accounting standards and changing business risks during Board meetings/Board Committees meetings or at specifically-convened sessions to enable them to properly discharge their duties effectively. In the year under review, the Board has been briefed by the Company's external consultant on the compliance and disclosure requirements of Sustainability Reporting prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the revision to 2018 Code and amendments to SGX-ST Listing Rules.

The Company Secretary regularly informs the Directors of any upcoming conferences, training and seminars relevant to their roles as Directors of the Company. The external auditors would update the AC and the Board on new and revised accounting standards that are applicable to the Company or the Group annually.

The Directors and officer(s) of the Company are encouraged to attend relevant training programmes, courses, conference and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisation from time to time. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such laws and regulatory changes, the Company will provide and fund the appropriate trainings and development programmes for the Directors and/or officer(s) of the Company, where relevant.

1.6 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During the financial year, the NC has reviewed the Board structure, size and composition of the Company. The present Board of the Company consists of seven (7) members comprising the Executive Chairman, Managing Director/Chief Executive Officer ("**CEO**"), two (2) Executive Directors and three (3) Non-Executive and Independent Directors. All Directors exercise independent judgement and make decisions objectively in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

Subsequent to the financial year ended 31 December 2018, Mr Lee Po On Mark ("**Mr Mark Lee**") has expressed his intention to retire from the Board by not seeking for re-election pursuant to Regulation 91 of the Constitution of the Company at the forthcoming Annual General Meeting ("**AGM**") to be held on 26 April 2019. Having considered the impending implementation of 2018 Code (albeit the Company has not adopted 2018 Code), NC and the Board have taken steps to prepare the Company in advance by identifying and evaluating potential candidates with the right caliber, qualification, soft skills and working experience to be appointed as independent directors of the Company. In February 2019, the NC reviewed several candidates' capabilities, their suitability as well as assessing their degree of independence from management, business and substantial shareholders based on the principles and guidelines prescribed pursuant to 2012 Code that is still applicable for purposes of this Corporate Governance Statement. The NC had interviewed the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out their responsibilities, good decision making track record, relevant experience and financial literacy before recommending the same to the Board the following candidates for appointment as Non-Executive and Independent Directors:

Kong WeiLi
Siu Wai Kam
Goh Yang Jun, Jasper

The abovenamed were appointed by the Board as Non-Executive and Independent Directors of the Company on 1 March 2019 and each of whom was appointed as a member of the AC, NC, RC and RMC respectively. The Company has arranged for these incoming directors to receive comprehensive and tailored induction on joining the Board. The induction programme includes separate in-house briefing on their duties as directors, how to discharge these duties, and an orientation program to ensure that they are familiar with the Company's business and governance practices. In addition, the Company will send these directors for relevant training, where appropriate.

CORPORATE GOVERNANCE STATEMENT

As at the date of this report, the Board comprises ten (10) suitably qualified members:

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Allan Yap	Executive Chairman	21 Nov 2005	21 Apr 2017	• China Enterprises Limited (Chairman, CEO and Director) • Master Glory Group Limited (Chairman and Executive Director) • Rosedale Hotel Holdings Limited (Chairman and Executive Director) • Hanwell Holdings Limited (Executive Chairman)	• Burcon NutraScience Corporation (Chairman, CEO and Director)
John Chen Seow Phun	• Deputy Chairman, Non-Executive and Independent Director • Chairman of Nominating and Remuneration Committees • Member of Audit Committee	21 Nov 2005	20 Apr 2018	• Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) • Hiap Seng Engineering Ltd (Independent Director) • HLH Group Limited (Independent Director) • Matex International Limited (Non-Executive Chairman and Independent Director) • OKP Holdings Limited (Lead Independent Director) • Pavillon Holdings Ltd (Executive Chairman) • Hanwell Holdings Limited (Deputy Chairman, Non-Executive and Independent Director)	
Loh See Moon	• Managing Director/CEO • Member of Risk Management Committee	Date of appointment as Director: 22 Dec 1977 Date of appointment as Managing Director/CEO: 21 Nov 2005	–	–	–
Tang Cheuk Chee	• Executive Director	01 Oct 2011	20 April 2018	• Hanwell Holdings Limited (Executive Director)	–
Cheong Poh Hua	• Executive Director • Member of Risk Management Committee	01 Jul 2002	21 April 2017	–	–

CORPORATE GOVERNANCE STATEMENT

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Lien Kait Long	• Non-Executive and Lead Independent Director • Chairman of Audit and Risk Management Committees • Member of Nominating and Remuneration Committees	24 Nov 2005	22 April 2016	• China Enterprises Limited • China Real Estate Grp Ltd (Director) • China Jishan Holdings Limited (Lead Independent Director) • Falcon Energy Group Limited (Lead Independent Director) • Renewable Energy Asia Group Limited (Independent Director)	• Viking Offshore and Marine Limited (Independent Director) • Pacific Healthcare Holdings Ltd (Non-Independent Non-Executive Director) • 8Telecom International Holdings Co., Ltd (Lead Independent Director) • Hanwell Holdings Limited (Lead Independent Director) • IPC Corporation Limited (Independent Director)
Lee Po On Mark	• Non-Executive and Independent Director • Member of Audit, Nominating and Remuneration Committees	22 April 2016	21 April 2017	• Hanwell Holdings Limited (Non-Executive and Independent Director) • Television Broadcasts Limited (Executive Director and Group Chief Executive Officer)	–
Kong WeiLi	• Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees	1 March 2019	NA	• Hanwell Holdings Limited (Non-Executive and Independent Director)	–
Siu Wai Kam	• Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees	1 March 2019	NA	• Hanwell Holdings Limited (Non-Executive and Independent Director)	–
Goh Yang Jun, Jasper	• Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees	1 March 2019	NA	• Hanwell Holdings Limited (Non-Executive and Independent Director)	–

CORPORATE GOVERNANCE STATEMENT

Profiles of the Directors are found in the "Board of Directors" section of the Annual Report.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective of issues that are brought before the Board. The Board also regularly examines its size and, with a view to determine the impact of its number upon effectiveness, decides on what is considered an appropriate size taking into account the scope and nature of the Company's operations. The NC is of the view that the Board comprises Directors with diverse expertise and experience in business and management, accounting and financial and are capable of exercising objective judgement on the corporate affairs of the Company independently of management are appropriate.

When a vacancy exists, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out their responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for re-election at the next AGM of shareholders. Particulars of interests of Directors who held office at the end of the financial year in shares in the capital of the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

1.7 Independent Members of the Board of Directors

Currently, the Board consists of ten (10) Directors, six (6) of whom are Non-Executive and Independent Directors, which represent more than half of the Board. Having considered the impending retirement of Mr Mark Lee at the forthcoming AGM to be held on 26 April 2019, the Company is in compliance of 2012 Code. There is no individual or small group of individuals that dominate the Board's decision-making process and matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The Board recognised the need to embrace tenets of good corporate governance that includes refreshing the composition of the Board by appointing additional independent directors. The Company believes that such efforts are more likely to engender investor confidence and in achieving long term sustainable business performance. All major decisions are based on collective decisions of the Board.

The criteria for independence are based on the definition given in the 2012 Code, which considers an Independent Director as one who has no relationship (direct or indirect) with the Company, its related corporations, its ten percent (10%) shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Company. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a director's independence checklist annually to confirm his independence based on the guidelines set out in the 2012 Code.

CORPORATE GOVERNANCE STATEMENT

The NC reviews annually, and as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on their business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service. An independent professional consultant (the "**Consultant**") was engaged in 2016 to conduct a rigorous review of self-assessment as well as evaluation on the independence of Dr John Chen Seow Phun ("**Dr John Chen**") and Mr Lien Kait Long ("**Mr Lien**"), who have been on the Board for more than nine (9) years. A similar review was carried out internally in 2017 as well as 2018 and the NC is satisfied that there has been no change to the circumstance since the findings and documents presented by the Consultant except for their personal directors' disclosures and unanimously agree and confirm that Dr John Chen and Mr Lien are independent. The factors that were taken into consideration in determining the independence of Dr John Chen and Mr Lien are set out under Principle 2 of the 2012 Code on page 17 of this report. Each member of the NC has abstained from voting on any resolution related to their re-election.

Dr John Chen, Mr Lien, Mr Mark Lee, and newly appointed directors on 1 March 2019 namely Mr Kong WeiLi ("**Mr Kong**"), Mr Siu Wai Kam ("**Mr Siu**") and Mr Goh Yang Jun, Jasper ("**Mr Jasper Goh**") are Independent Directors of Hanwell Holdings Limited ("**Hanwell**"), a controlling shareholder of the Company to which the Company has made payment to Hanwell for the provision of consultancy services of less than S$50,000 in FY2018. The Board believes that their directorships in Hanwell have not and will not interfere, or be reasonably perceived to interfere, with their ability to excise independent judgement and act in the best interests of the Company. Furthermore, Mr Mark Lee has decided not to seek for re-election pursuant to Regulation 91 of the Constitution of the Company at the forthcoming AGM to be held on 26 April 2019.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group. The role of the Non-Executive and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also help to evaluate proposals on strategy, various policies and review the performance of the Management in meeting agreed goals and objectives of the Group.

The Non-Executive and Independent Directors meet periodically without the presence of Management to discuss and facilitate a more effective check on the Management. The Executive Chairman will act on the feedback, take necessary steps to advise Management on the way forward to improve and implement recommendations submitted by the Non-Executive and Independent Directors.

To-date, none of the Independent Directors of the Company has been appointed as director of the Company's principal subsidiaries.

CORPORATE GOVERNANCE STATEMENT

1.8 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a distinct separation of responsibilities between the Chairman and the Chief Executive Officer ("**CEO**"), which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The position of Executive Chairman is held by Dr Allan Yap and Mr Loh See Moon ("**Mr Loh**") holds the position of the Managing Director/CEO.

The Executive Chairman, Dr Allan Yap is responsible to lead the Board and to ensure effective working of the Board including:

- with the assistance of the Company Secretary, scheduling of meetings to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- with the assistance of the Company Secretary, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- with the assistance of the Company Secretary, ensuring that Board meetings are held when necessary;
- facilitating effective contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and between the Board and the Management;
- exercising control over the quality, quantity and timeliness of information flow from the Management to the Board, promoting effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance with full support of the Directors and the Management.

In view that the Executive Chairman and Dr Tang Cheuk Chee ("**Dr Tang**"), the Executive Director are immediate family members, the Board has appointed Mr Lien as the Lead Independent Director of the Company since February 2015 to lead and coordinate the meetings and activities of the Independent Directors. Hence, Mr Lien will contribute to a balance of views from the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to Shareholders where they have concerns and where contact through the normal channels of the Executive Chairman or Managing Director/CEO, the Executive Directors or Chief Financial Officer ("**CFO**") has failed to resolve, or such contact is inappropriate. Currently, the function of the CFO is subsumed by Madam Cheong Poh Hua ("**Madam Cheong**"), an Executive Director of the Company.

CORPORATE GOVERNANCE STATEMENT

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors when required, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings. The Executive Chairman will act on the feedback and deal with the issues, where appropriate.

Members of the AC, NC and RC of the Company are all Independent and Non-Executive Directors. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the relevant Board Committee.

The NC conducts annual Board performance appraisal including review of any changes to the composition of the Board members. On the other hand, remuneration packages are reviewed periodically by the RC. The Board believes that there are adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors take decisions objectively and in the interests of the Company.

1.9 Board Membership

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

In appointing Directors, the Board considers the range of skills and experience required in the light of:

- geographical spread and diversity of the Group’s businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independent status of each Director.

As at the date of this report, the NC comprises six (6) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)
Mr Kong WeiLi (Member, Non-Executive and Independent Director)
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The NC Chairman has no relationship (direct or indirect) with the Company, its related corporations, its ten percent (10%) shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

The principal responsibilities of the NC are set out in the terms of reference and its key functions include:

- reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group;
- reviewing, assessing and recommending nominees or candidates for appointment or election to the Board and the various Board Committees;
- assessing the effectiveness and contributions of the Board as a whole;
- assessing the contribution of each individual Director to the effectiveness of the Board, in particular when a Director has multiple listed company board representations and having regard to the Director's contribution and performance;
- reviewing the independence of the Directors on an annual basis;
- reviewing the performance of the Directors and recommending on the re-election and re-appointments of the Board at the AGM;
- conducting a rigorous review and determining whether an Independent Director who has served on the Board for a period exceeding nine (9) years from the date of his first appointment, can still consider as independent;
- deciding a Director is able to and has been adequately carrying out his duties as Director of the Company based on internal guidelines such as attendance, contractibility and responsiveness; and
- reviewing the training and development programmes for the Board.

The Company's Constitution provides that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Provided that no Director holding office as Managing or Joint Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation, candour and any other factors as may be determined by the NC.

Despite some of the Directors having multiple Board representations, the NC has reviewed the Directorships of the Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. The NC and Board agreed that as a guide, the maximum number of the listed company Board representations which any Independent Director may hold should not exceed eleven (11), and both the NC and the Board will review and determine the maximum number of listed company Board representations as and when they deem appropriate.

CORPORATE GOVERNANCE STATEMENT

The NC is also responsible to determine the independence of Directors annually by taking into account the circumstances set forth in Guidelines 2.3 and 2.4 of the 2012 Code and any other salient factors. In considering the independence of an Independent Director who has served on the Board beyond nine (9) years, the NC has taken into consideration the following factors:

(i) There were changes to the composition of the Board Committees in 2019;

(ii) The extensive knowledge and experience contributed by the Independent Directors to the Company;

(iii) The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;

(iv) Provision of continuity and stability to the new Management at the Board level by facilitating smooth communication between old and new Management;

(v) Provision of reasonable checks and balances for the Management;

(vi) The Independent Directors have devoted adequate attention and sufficient time to the affairs of the Group; and

(vii) The Independent Directors provide overall guidance to the Management and act as safeguard for the protection of Company's assets and shareholders' interests.

The Board and the NC had developed a process of evaluation of performance of the Board and Board Committees and individual Directors through establishment of quantifiable performance criteria. The evaluation performance checklist is drawn up based on the guidelines provided in the 2012 Code.

Taking into account, among others, these Directors' participation during and outside the formal Board and Board Committees meetings as well as other contributions. The Board has accepted the NC's nomination of the retiring Directors, who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Director is Mr Lien who will retire pursuant to Regulation 91 of the Constitution of the Company. Whilst Mr Kong, Mr Siu and Mr Goh who will be retiring pursuant to Regulation 97 of the Constitution of the Company. The details of the Directors seeking for re-election are found in Table A set out on page 42 to page 48 of this Annual Report.

Currently, the Company does not appoint any alternate director.

1.10 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

We believe that Board performance is ultimately reflected in the performance of the Group and the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interest of the Group and the shareholders. In addition to these fiduciary duties, the Board is charged with two (2) key responsibilities of setting strategic direction and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, will review the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

CORPORATE GOVERNANCE STATEMENT

Based on the recommendations of the NC, the Board has an annual performance evaluation process, carried out by the NC, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

(a) Assessment of the effectiveness of the Board as a whole – The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation forms to the Directors annually for their evaluation of various Board issues and processes such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2018.

(b) Assessment of the effectiveness of the Board Committees – The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken. The NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees as a whole for the financial year ended 31 December 2018.

(c) Assessment of the contribution of individual Directors to the effectiveness of the Board – The Individual Director's assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC. The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and any appropriate action taken. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2018.

The NC is of the view that such assessments by the Directors are useful and constructive and this collective process has provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board. The assessments also help the NC to determine whether the Directors with multiple Board representations are able to and have adequately discharged their duties as Directors of the Company.

In general, the selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. In consultation with the NC, the Executive Chairman will act on the results of the Board performance and propose, where appropriate, new members to be appointed to the Board or propose changes to the Board.

CORPORATE GOVERNANCE STATEMENT

1.11 Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

As a general rule, the Management provides the Board with comprehensive, complete and adequate information in a timely manner for the Board to be effective in discharging of its duties. The Board papers which include the background and/or explanatory information to matters to be brought before the Board for each meeting are normally prepared and circulated in advance to all Directors prior to the scheduled meetings. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant development or events relating to the Group. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. The Board and Board Committees have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities. However sensitive matters may be table at the meeting itself or discussed without any papers being distributed.

The Directors have separate and independent access to the advice and services of the Company Secretary and the key management personnel at all times. Further, there is no restriction of access to the key management personnel when the Directors have to carry out their duties. The Management ensures that any information or materials requested by the Directors to make informed decisions will be provided in a timely manner.

The role of the Company Secretary is clearly defined and includes attendance of Board and Board Committees meetings and ensuring that the appropriate procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its committees, between the Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The Company Secretary and the Management also facilitate the orientation of new Directors and professional development of Directors as required and also the channel of communications between the Company and the SGX-ST. The Company Secretary and/or his representatives attend all Board and Board Committees meetings, and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The appointment and removal of the Company Secretary is a matter which is approved by the Board.

Each Director has the right, at the Company's expense, to seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings when necessary in order to discharge their duties and responsibilities.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS

2.1 Procedure for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

As at the date of this report, the RC comprises six (6) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)
Mr Kong WeiLi (Member, Non-Executive and Independent Director)
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel (including the Executive Chairman, Managing Director/CEO, Executive Directors and other persons having authority and responsibility for planning, directing and controlling activities of the Company and Group), and the specific remuneration packages and terms of employment (where applicable) for each Director as well as key management personnel. The RC's recommendations should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share-based incentives, awards and benefits-in-kind;

- carrying out its duties in the manner that it deems expedient. Subject always to any regulations or restriction that may be imposed upon the RC by the Board from time to time;

- ensuring that all aspects of remuneration are covered, taking into consideration Principle 8 of the 2012 Code;

- the remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility; and

- reviewing and recommending to the Board, the terms of renewal of service agreements of Directors and/or key management personnel and ensuring the service agreements contain fair and reasonable termination clauses which are not overly generous in the event of termination.

The RC members are knowledgeable in the field of executive compensation and have access to independent expert advice from external consultants, where necessary.

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The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Chairman, Managing Director/CEO and Executive Directors.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors which is submitted to the whole Board for endorsement. The RC reviews recommendations on remuneration policies and packages for Directors in the interests of improved corporate performance. The RC's review of remuneration packages takes into consideration pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors, the long-term interests of the Group and ensures that the interests of the Directors align with that of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, profit sharing (where applicable) and benefits-in kind.

Each member of the Board shall abstain from voting on any resolution concerning or making any recommendations and/or participating in any deliberations in respect of his own remuneration.

The RC, in considering the remuneration of all directors, has not sought external advice nor appointed remuneration consultants.

2.2 Level and Mix of Remuneration

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

The remuneration packages of the Executive Directors (includes Executive Chairman and Managing Director/CEO) are determined based on the framework recommended by the RC. In doing so, the RC reviews the length of appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Directors' service agreements to ensure that the terms of such clauses are not onerous to the Company. The Executive Directors' framework of remuneration includes a fixed element as well as a variable element in the form of a bonus and a profit sharing incentive which is linked to the Company's performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

The Company has no employee share option schemes or other long-term incentive schemes in place and will consider adopting the same as and when the Board deem necessary.

All Non-Executive and Independent Directors have no service agreements with the Company. They are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at each Board and Board Committees meetings. These fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's AGM. The remuneration of Non-Executive and Independent Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Non-Executive and Independent Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE STATEMENT

The Executive Chairman, Managing Director/CEO and each of the Executive Directors have a separate formal service agreement with the Company and they do not receive Directors' fees. The remuneration packages of the Executive Chairman, Managing Director/CEO and Executive Directors comprise primarily a basic salary component and a variable component which include bonuses, profit sharing incentive and other benefits. The service agreements of the Executive Chairman, Managing Director/CEO and Executive Directors are for a period of three (3) years. These service agreements are subject to review by the RC and provide for termination by either party giving to the other an appropriate prior written notice.

The RC is of the view that the variable component of the remuneration packages of the Executive Chairman, Managing Director/CEO, Executive Directors and key management personnel, where applicable are moderate. Although the Company did not institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Chairman, Managing Director/CEO and Executive Directors, the Company is in the process of reviewing the necessity to include such contractual provisions to reclaim such incentive components of remuneration paid in prior years to the Executive Chairman, Managing Director/CEO and Executive Directors where incidents occur in exceptional circumstances such as misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Summary compensation table of the Directors receiving remuneration from the Company for the financial year ended 31 December 2018 is set out below:

Directors	Base Salary	Bonus	Profit Sharing	Directors' Fee[2]	Allowance[1]	TOTAL
Range S$250,000 and below						
John Chen Seow Phun	–	–	–	100.00%	–	100.00%
Lien Kait Long	–	–	–	100.00%	–	100.00%
Lee Po On Mark	–	–	–	100.00%	–	100.00%
Range S$250,001 to S$500,000						
Tang Cheuk Chee	33.93%	2.82%	58.85%	–	4.40%	100.00%
Cheong Poh Hua	42.46%	4.46%	48.08%	–	5.00%	100.00%
Range S$1,000,000 to S$1,250,000						
Allan Yap	33.64%	2.80%	62.70%	–	0.86%	100.00%
Range S$3,000,000 to S$3,250,000						
Loh See Moon	20.08%	1.67%	72.43%	–	5.82%	100.00%

(1) Employer's CPF contribution and other compensation are included.

(2) Directors' fee was approved on 20 April 2018 at the AGM of the Company (to be paid half yearly in arrears).

CORPORATE GOVERNANCE STATEMENT

The Company has decided not to disclose information on the remuneration of the Directors in dollars' terms because of the confidentiality and prevention of upward pressure or remuneration due to market competition.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 26 April 2019 for the payment of Directors' fees proposed (to be paid quarterly in arrears) for the financial year ending 31 December 2019 amounting to an aggregate of S$215,670.

2.4 Remuneration of Top Five (5) Key Management Personnel & Employees Related to Directors

The Company does not have any key management personnel who is not a director or the CEO during the financial year ended 31 December 2018.

There are no employees of the Group who are immediate family members of any Director or the CEO of the Company and whose remuneration exceed S$50,000 for the financial year ended 31 December 2018. The Company adopts a remuneration policy for staff comprising both a fixed and variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Company and each individual's performance.

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

3 ACCOUNTABILITY AND AUDIT

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

The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust.

In line with the Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Managing Director/CEO and an Executive Director have provided assurance to the Board on the integrity of the Group's financial statements.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 from all its Directors pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and half-yearly announcements to shareholders, the Board aims to provide the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis to enable the Board effectively discharge their duties.

CORPORATE GOVERNANCE STATEMENT

3.1 Risk Management and Internal Controls

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

The Board recognises that it is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The AC will:

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating and compliance controls, information technology controls and risk management is conducted at least annually. Such reviews can be carried out by internal auditors/external auditors;
- ensure that the internal control recommendations made by internal and external auditors have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy of the risk management and internal controls of the Group.

Risk assessment and evaluation has become an essential part of business planning and monitoring process. The Management having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigation actions in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

Risk Management Committee ("**RMC**")

The Group has put in place a RMC chaired by Mr Lien (Lead Independent Director) and members comprising two (2) directors namely, Mr Loh (Managing Director/CEO) and Madam Cheong (Executive Director) to assist the Board in its oversight of risk governance, risk management framework and policies of the Group. The RMC is regulated by its terms of reference. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of shareholders and the assets of the Group.

The RMC oversees the risk management framework and policies of the Group and report to the Board. Together with the Management, the RMC has established investment policies. These policies are an essential part of the business planning and monitoring process.

CORPORATE GOVERNANCE STATEMENT

The meetings of the RMC are attended not only by the members but also Management and it serves as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

The risk management process that is in place covers, *inter alia*, financial, operational, compliance and information technology risks faced by the Group. The key risks identified are deliberated by Management, and reported to the RMC on an annual basis or such other period as may be determined by RMC.

The Group has put in place a system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has engaged Ernst & Young Advisory Pte. Ltd. as internal auditors to assess annually the effectiveness of such a system in ensuring that the Company has adequate safeguards as well as an effective robust risk management framework (including policies, procedures and processes) embedded within the Company's infrastructure that could support the Group's operations, IT system and financial reporting structure.

The AC, RMC and Board recognise the need for a robust and effective system of internal control. To ensure that the risk management and internal controls and risk management processes are adequate and effective, the AC has access to independent professional consultants. With the assistance of the RMC, internal and external auditors, AC has carried out assessments of the adequacy and effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls are regularly reported to AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2018, the Board has received assurances from Mr Loh (Managing Director/CEO) and Madam Cheong (Executive Director), that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective and sufficient. As the Company does not have a CFO, Madam Cheong, an Executive Director of the Company oversees the finance function of the Group.

During the course of audit by the internal and external auditors, their recommendations, the various management controls and the reports from the internal and external auditors the Board, with the concurrence of the AC and RMC, is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2018.

The Board will also continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

CORPORATE GOVERNANCE STATEMENT

3.2 Audit Committee

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

The AC comprises six (6) members all of whom are Independent:

Mr Lien Kait Long (Chairman, Non-Executive and Lead Independent Director)
Dr John Chen Seow Phun (Member, Non-Executive and Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)
Mr Kong WeiLi (Member, Non-Executive and Independent Director)
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The AC members were selected based on their expertise and prior experience in the area of financial management and at least two (2) of the AC members have the relevant accounting or financial management expertise and/or experience. The Board is of the view that majority of the AC members have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

The AC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the internal and external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The principal responsibilities of the AC are set out in the terms of reference and its key functions include:

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;
- evaluating the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, information technology controls, and risk management by reviewing written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;
- reviewing the financial statements of the Company and the Group before their submission to the Board;
- reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE STATEMENT

- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditors;

- reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of SGX-ST, and by such other amendments made thereto from time to time;

- reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way; and

- reviewing whistle-blowing policy and arrangements.

Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC met twice in the financial year ended 31 December 2018 and the Managing Director/CEO and Executive Directors were invited to attend the meetings, as and when necessary. The AC also meets from time to time with the Group's external and internal auditors and the management to review accounting, auditing and financial reporting matters to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group.

The AC continuously studies proposed changes in accounting policies, examines the internal audit functions and discusses the accounting implications of major transactions. Furthermore, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its interim and annual reports. Based on the information provided to the AC, nothing has come to the AC's attention indicating that the system of internal controls and risk management is inadequate.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets annually with the internal auditors and the external auditors, without the presence of the Company's Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors.

The AC had reviewed all the non-audit services carried out by the external auditors to the Group and confirmed that such services would not, in its opinion prejudice the independence and objectivity of the external auditors. The fees that are charged to the Group by the external auditors for audit and non-audit services were approximately S$250,000 and S$7,000 respectively for the financial year ended 31 December 2018.

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The AC noted that KPMG LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting & Corporate Regulatory Authority ("**ACRA**") and provided a confirmation of their independence to the AC. Apart from this, the AC also received feedback from Management on their evaluation of the performance and effectiveness of the work of the external auditors. Having assessed the external auditors, the AC is satisfied that KPMG LLP is able to meet the audit requirements and statutory obligation of the Company.

Accordingly, KPMG LLP is recommended for re-appointment as the Company's external auditors at the forthcoming AGM.

Furthermore, AC noted that in appointing the external auditors of the Company, its subsidiaries and significant associated companies, it is satisfied that the appointment of auditors did not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC.

No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters ("**KAM**") in the Company's Annual Report. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on key financial reporting matters as follows:

AC's commentary on key financial reporting matters

The AC has discussed the KAM for FY2018 with Management and the external auditors. The AC concurs with the basis and conclusions included in the Independent Auditors' Report with respect to the KAM.

For more information on the KAM, please refer to pages 53 to 57 of this Annual Report.

3.3 Whistle-Blowing Policy

The Group has adopted a constructive whistle-blowing policy and guideline in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statements, financial reports and records of the Company.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees to raise their concerns to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC or any other committees established by the AC for such purpose without fear of reprisal. The establishment of the whistle-blowing structure also augments the Group's ability to detect potential fraud, providing another level of comfort and assurance to investors.

There were no reported incidents pertaining to whistle-blowing for FY2018.

CORPORATE GOVERNANCE STATEMENT

3.4 Internal Audit

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

The AC selects and approves the appointment of internal auditors. The Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the "**Internal Auditors**") during the financial year ended 31 December 2018. The Internal Audit serves to provide the Board and the Management with an independent appraisal in terms of the reliability, adequacy and effectiveness of the internal controls established by the Management. Its aim is to ensure that the Group has adequate internal controls put in place for purposes of monitoring the performance and effectiveness in applying the relevant internal audit procedures. Apart from this, Internal Auditors supports the AC and Board in assessing key internal controls through a structured review programme. The Internal Auditors has unfettered access to the Board, AC and Management, where necessary, and have the right to seek information and explanations. The AC is satisfied that, though the Internal Audit function has been outsourced, it is adequately and effectively managed by persons with the relevant qualifications and experience.

The Internal Audit reports functionally to the AC Chairman. On an annual basis, AC assesses the effectiveness of Internal Audit function by examining:

- the scope of the internal auditors' work;
- the quality of the reports;
- the relationship with the external auditors; and
- the independence of the areas reviewed.

During the year, the Internal Audit's summary of key audit findings, recommendations and Management's related responses were discussed at the AC meetings. The AC ensures that established procedures are put in place to address and follow up on the recommendations by the Internal Auditors in a timely manner and to monitor any outstanding issues.

The AC is satisfied that the function is adequately resourced and has appropriate standing within the Company and the Group.

The internal audit plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. Internal Auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring measures that have been implemented to detect and correct internal control weaknesses which have been identified.

The AC has reviewed and approved the annual internal audit plan FY2018 and is satisfied that the Internal Audit has been adequately and effectively carried out in line with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the activities of the Internal Audit on a regular basis, including overseeing and monitoring the implementation of the improvement required on internal control weakness identified.

CORPORATE GOVERNANCE STATEMENT

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of SGX-ST, the Company is committed that all shareholders should be equally informed of all major developments of the Group which would be likely to materially affect the price or value of the Company's shares.

The Company does not practice selective disclosure as all material and price-sensitive information are released through SGXNet and the Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company.

The information is disseminated to shareholders of the Company on a timely basis through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- half-yearly announcements containing a summary of the financial information and affairs of the Group for that period;
- notices of and explanatory memoranda for AGMs and Extraordinary General Meetings;
- disclosure to the SGX-ST; and
- the Company's website at http://www.tspg.sg at which our shareholders can access information on the Group.

Principle 15: Companies should actively engage their shareholders and put in place an investor relation policy to promote regular, effective and fair communication with shareholders.

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication.

Although the Company does not have an investor relations team, the Company's Managing Director/CEO and Executive Directors are responsible for the Company's communication with shareholders. The Board acknowledges that not only does the Company has to fulfill its obligation to furnish timely and material information to shareholders but also to ensure that full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Manual of SGX-ST. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company's announcements and annual reports through the Company's website at http://www.tspg.sg.

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Dividend Policy

The Company does not have a dividend policy at present. The frequency, form and amount of dividend to be declared and paid are dependent on the Group's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.

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

All registered shareholders are invited to participate at shareholders' meetings.

Board members, senior Management and the Company Secretary are present at shareholders' meeting to respond to questions from shareholders. The Company's external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company disseminates information on general meetings through notices in its annual reports or circulars (if required) to all its shareholders. These notices are also released via SGXNet, published in local newspapers and posted in the Company's website ahead of the meetings to give ample time for shareholders to review the documents. The annual reports and circulars (if required) may also be viewed on the Company's website. However, we are mindful that some shareholders may prefer to receive a printed copy and we have arranged for printing of the annual reports to all shareholders for the time being. The printing of annual reports will be under review in the future.

The Company's Constitution allows (a) each shareholder who is not a relevant intermediary (as defined in the Companies Act, Chapter 50) the right to appoint up to two (2) proxies and (b) each shareholder who is a relevant intermediary to appoint more than two (2) proxies to attend and vote on their behalf in shareholders' meetings. At general meetings, the Company ensures that separate resolutions are proposed for substantially separate issues.

The Company has conducted electronic poll voting at shareholders' meeting for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNet.

The Company Secretary and/or his representatives prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

CORPORATE GOVERNANCE STATEMENT

5 DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal Code of Conduct to provide guidance to all officers of the Company and its subsidiaries with regard to dealings in the Company's securities.

The Directors and officers of the Company and of the Group are advised for each close window period, and periodically reminded, not to deal in the Company's shares for the period commencing one (1) month before the announcement of the Company's financial results for the year and for the period of two (2) weeks before the announcement of the Company's quarterly results during the year, since the Company is required to make quarterly results announcement with effect from 1 January 2019. The Company will notify Directors and employees of the commencement date for each close window period.

The Company has also issued a policy on Insider Trading to all employees which sets out the principles of relevant laws relating to insider trading which are applicable at all times.

Directors, officers and connected persons are expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

6 INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual of SGX-ST for interested person transactions. To ensure compliance with Chapter 9, the AC meets half-yearly to review if the Company will be entering into an interested person transaction in order to ensure that the interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the shareholders. There were no interested person transactions entered into by the Group during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

7 MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder subsisting at the end of the FY2018.

CORPORATE GOVERNANCE STATEMENT

TABLE A

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:–

Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Date of Appointment	24 November 2005	1 March 2019	1 March 2019	1 March 2019
Date of last re-appointment (if applicable)	22 April 2016	N.A.	N.A.	N.A.
Age	71	52	47	37
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lien's performance as Non-Executive and Lead Independent Director of the Company.	The Board of Directors of the Company is of the opinion that Mr Kong can contribute positively to the Company after reviewing the NC's recommendation and Mr Kong's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Siu can contribute positively to the Company after reviewing the NC's recommendation and Mr Siu's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Jasper Goh can contribute positively to the Company after reviewing the NC's recommendation and Mr Jasper Goh's qualifications, experience and suitability.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Lead Independent Director, Chairman of AC and RMC and Member of NC and RC	Independent Director, Member of AC, NC, RC and RMC	Independent Director, Member of AC, NC, RC and RMC	Independent Director, Member of AC, NC, RC and RMC
Professional qualifications	Mr Lien holds a degree in Bachelor of Commerce from Nanyang University, Singapore. Mr Lien is a fellow of the Institute of Singapore Chartered Accountants and CPA Australia since July 2004 and May 2004 respectively.	Mr Kong is a fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.	Mr Siu graduated from the City University of Hong Kong in 1997 with a Bachelor of Electronic Engineering. In 1999, Mr Siu obtained his Master of Philosophy from the same University.	Mr Jasper Goh graduated from the National University of Singapore in 2007 with a Bachelor of Science in Applied Mathematics & Operation Research (Management Science).

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Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interest (including any competing business)	None	None	None	None
Working experience and occupation(s) during the past 10 years	Mr Lien has more than 40 years' experience in accounting and finance, corporate management and business investment.	From December 2008 to September 2015: Mr Kong worked as Financial Controller with SOME Pte Ltd (a subsidiary of Sembcorp Marine Ltd). From July 2017 to May 2018, Mr Kong was a Senior Finance Analyst with Maximus Asia Pte Ltd. From June 2018 to present, Mr Kong is a Plant Financial Controller with Sanmina-SCI Systems Singapore Pte Ltd.	Mr Siu has more than 19 years of experience in Information Technology ("**IT**") field. Mr Siu holds a senior position in the IT Department of a Singapore University.	Mr Jasper Goh has more than 10 years of working experience. From 2015 to present, Mr Jasper Goh is a Managing Partner of Back Office Partners Pte Ltd. Mr Jasper Goh is also a Lead Business Development of Asterisk Computer (FE) Pte Ltd. From 2010 to 2014, Mr Jasper Goh was an Independent Consultant and Business Development with staff support (self-employed). From 2007 to 2009, Mr Jasper Goh was a relationship manager in ABN AMRO Business Banking.
Undertaking (in the format set out in Appendix 7.7) under Rule 702(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	None	None	None	None

CORPORATE GOVERNANCE STATEMENT

Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Other Principal Commitments* Including Directorships# *"Principal Commitments" has the same meaning as defined in the Code #These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the last 5 years) 1. Viking Offshore and Marine Limited 2. Pacific Healthcare Holdings Ltd 3. 8Telecom International Holdings Co., Ltd 4. IPC Corporation Limited 5. Hanwell Holdings Limited Present 1. China Enterprises Limited 2. China Jishan Holdings Limited 3. Falcon Energy Group Limited 4. Renewable Energy Asia Group Limited 5. China Real Estate Grp Ltd 6. Tat Seng Packaging Group Ltd	Past (for the last 5 years) 1. Straits Overseas Pte Ltd 2. Straits Offshore Pte Ltd Present 1. Hanwell Holdings Limited 2. Tat Seng Packaging Group Ltd	Past (for the last 5 years) 1. Singsoft Pte. Ltd. Present 1. Tuwards Pte. Ltd. 2. Hanwell Holdings Limited 3. Tat Seng Packaging Group Ltd	Past (for the last 5 years) None Present 1. Hanwell Holdings Limited 2. Tat Seng Packaging Group Ltd

CORPORATE GOVERNANCE STATEMENT

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(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	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	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	No	No

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	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	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	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–				
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere.	No	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
	Disclosure applicable to the appointment of Director only.				
	Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
	If yes, please provide details of prior experience.	Mr Lien is presently a:– • Director of China Enterprises Limited, an issuer listed on the Exchange • Lead Independent Director of China Jishan Holdings Limited, an issuer listed on the Exchange • Lead Independent Director of Falcon Energy Group Limited, an issuer listed on the Exchange • Independent Director of Renewable Energy Asia Group Limited, an issuer listed on the Exchange • Director of China Real Estate Grp Ltd, an issuer listed on the Exchange	Mr Kong is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.	Mr Siu is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.	Mr Jasper Goh is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	N.A.
	Please provide details of relevant experience and the nominating committee reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Has been a director of several public listed companies for many years	Has attended SID training	Has attended SID training	Has attended SID training

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 58 to 135 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 the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International); and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Allan Yap
John Chen Seow Phun
Loh See Moon
Tang Cheuk Chee
Cheong Poh Hua
Lien Kait Long
Lee Po On Mark
Kong WeiLi (Appointed on 1 March 2019)
Siu Wai Kam (Appointed on 1 March 2019)
Goh Yang Jun, Jasper (Appointed on 1 March 2019)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants or share options in the Company and in related corporations are as follows:

	Direct Interest		Deemed Interest	
Name of director	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Ordinary shares of the Company				
Loh See Moon	23,580,000	23,580,000	–	–
Cheong Poh Hua[@]	524,000	524,000	260,000	260,000

@ Cheong Poh Hua's deemed interest arises from shareholding of the Company held by her spouse, Ee Heng Huat.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONTINUED)

Name of director	Direct Interest At beginning of financial year	Direct Interest At end of financial year	Deemed Interest At beginning of financial year	Deemed Interest At end of financial year
Ordinary shares of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap#	1,000,000	1,000,000	97,947,500	97,947,500
Loh See Moon	403,000	403,000	–	–
Tang Cheuk Chee*	49,449,500	49,449,500	49,498,000	49,498,000
Lien Kait Long	5,530	172,430	–	–

Allan Yap's deemed interest arises from shareholding of the ultimate holding company, Hanwell Holdings Limited, held by his spouse, Tang Cheuk Chee.

* Tang Cheuk Chee's deemed interest arises from shareholding of the ultimate holding company, collectively held by Sino Diamond International Co., Ltd, Widelead International Limited and her spouse, Allan Yap.

Name of director	Direct Interest At beginning of financial year	Direct Interest At end of financial year	Deemed Interest At beginning of financial year	Deemed Interest At end of financial year
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap – options to subscribe for ordinary shares between 22/01/2010 and 21/01/2019	10,000,000	10,000,000	–	–

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

- Lien Kait Long (Chairman), Non-Executive and Lead Independent Director
- John Chen Seow Phun, Non-Executive and Independent Director
- Lee Po On Mark, Non-Executive and Independent Director
- Kong WeiLi, Non-Executive and Independent Director
- Siu Wai Kam, Non-Executive and Independent Director
- Goh Yang Jun, Jasper, Non-Executive and Independent Director

The AC performs the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Code of Corporate Governance.

The AC has held two (2) meetings since the last directors' statement. In performing its functions, the AC met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The AC also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- half yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

DIRECTORS' STATEMENT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Loh See Moon
Director

Cheong Poh Hua
Director

28 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
TAT SENG PACKAGING GROUP LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tat Seng Packaging Group 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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 58 to 135.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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 '*Auditors' 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 *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.

Valuation of property, plant and equipment
(Refer to Note 4 to the financial statements)

Risk

As at 31 December 2018, the market capitalisation of the Group was S$42.9 million lower than the net assets of the Group, which indicated a potential impairment on the Group's non-current assets.

At 31 December 2018, the Group has non-current assets of S$91.1 million (2017: S$70.3 million), of which S$86.3 million (2017: S$65.9 million) relates to property, plant and equipment.

The assessment for impairment loss on the recoverable amount of property, plant and equipment is based on the greater of value-in-use or fair value less costs to sell. The estimation of the recoverable amount of property, plant and equipment is dependent on the assumptions used in estimating the future cash flows of the Group. The assessment of these assumptions is a key focus area of our audit.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
TAT SENG PACKAGING GROUP LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our response

We evaluated the key assumptions used in the Group's cash flows projections. This included a comparison of forecast growth rate and gross profit margin with historical results and comparable companies within the industry. We also performed our own assessment of other key inputs such as discount rate used and replacement costs. We performed a sensitivity analysis around the key drivers of the forecasted cash flows, in particular, rate of revenue growth and replacement costs and discount rate.

We evaluated the qualifications and competence of the external valuer. We considered the valuation methodologies used in the valuations against those applied for similar property types and assessed the reasonableness of the methodology and key assumptions used by the external valuer.

We also assessed whether the disclosures in the financial statements appropriately described the subjectivity and judgements inherent in the recoverable amount computation, including the inter-relationship between the key unobservable inputs and the recoverable amounts.

Our findings

We found the key assumptions used for the Group's cash flow projections to be mildly optimistic. The disclosures found to be appropriate in terms of their description of the assumptions and estimates made by management and the sensitivity to changes thereon.

The valuer is a member of generally-recognised professional body for valuers. The approach to the methodologies and in deriving the fair value using direct comparison method is in line with market practices and comparable properties used are within range of market data.

Valuation of trade receivables
(Refer to Note 9, 27 to the financial statements)

Risk

The Group has significant trade receivables with customers in China. The customers of the Group would typically request for longer payment terms, as such, the Group is exposed to a heightened risk of default in respect of trade receivables. The level of judgement in determining the provisioning levels on these balances is an area of audit focus.

Our response

On the application of the expected credit loss model, we assessed the Group's estimation techniques and assumptions used to determine the amount of expected credit losses on the trade receivables outstanding as at reporting date.

We assessed management's assessment on the recoverability of these amounts, corroborating explanations with underlying documentation and correspondences with the management team, taking into consideration the historical receipt records and credit risk for each customer. We compared the historical allowance for bad debts to the actual amounts written off.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
TAT SENG PACKAGING GROUP LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our findings

The resulting estimates used by the Group were balanced.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and auditors' report thereon.

We have obtained the Our Mission, Executive Chairman's Statement, Financial Highlights, Five-Year Financial Summary, Group Structure, Board of Directors, Corporate Information, Corporate Governance Statement, Directors' Statement, Land & Buildings, 资产负债表, 合并损益表, and Shareholding Statistics, prior to the date of this auditors' report.

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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
TAT SENG PACKAGING GROUP LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
TAT SENG PACKAGING GROUP LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 $	Group 2017 $	Group 1 Jan 2017 $	Company 2018 $	Company 2017 $	Company 1 Jan 2017 $
Assets							
Property, plant and equipment	4	**86,331,643**	65,934,741	57,285,468	**2,214,141**	2,607,287	2,995,562
Intangible assets	5	**1,105,681**	1,140,783	1,162,604	**12,000**	15,000	18,000
Investment in subsidiaries	6	**–**	–	–	**28,506,540**	28,036,965	28,186,121
Deferred tax assets	7	**3,646,682**	3,267,285	3,128,315	**2,374,887**	2,145,159	1,705,373
Non-current assets		**91,084,006**	70,342,809	61,576,387	**33,107,568**	32,804,411	32,905,056
Inventories	8	**26,151,315**	25,853,356	19,090,881	**101,386**	119,971	61,890
Trade and other receivables, including derivatives	9	**126,316,418**	133,129,818	98,943,492	**7,485,662**	4,888,821	3,545,722
Cash and cash equivalents	10	**59,492,185**	40,022,193	45,447,739	**1,292,107**	4,499,613	6,104,185
Current assets		**211,959,918**	199,005,367	163,482,112	**8,879,155**	9,508,405	9,711,797
Total assets		**303,043,924**	269,348,176	225,058,499	**41,986,723**	42,312,816	42,616,853
Equity							
Share capital	11	**31,440,000**	31,440,000	31,440,000	**31,440,000**	31,440,000	31,440,000
Retained earnings		**86,496,989**	73,046,499	61,837,705	**4,396,855**	4,825,399	4,157,254
Other reserves	12	**10,708,964**	12,619,300	11,254,794	**–**	–	–
Equity attributable to owners of the Company		**128,645,953**	117,105,799	104,532,499	**35,836,855**	36,265,399	35,597,254
Non-controlling interests	29	**10,128,324**	8,869,285	6,909,222	**–**	–	–
Total equity		**138,774,277**	125,975,084	111,441,721	**35,836,855**	36,265,399	35,597,254
Liabilities							
Deferred income	13	**1,433,462**	1,217,169	1,175,894	**27,222**	–	–
Loans and borrowings	14	**18,491,181**	221,355	1,340,356	**–**	13,254	29,262
Deferred tax liabilities	7	**1,529,900**	1,531,712	1,666,989	**–**	–	–
Non-current liabilities		**21,454,543**	2,970,236	4,183,239	**27,222**	13,254	29,262
Deferred income	13	**200,577**	136,708	119,205	**4,864**	–	–
Loans and borrowings	14	**68,677,688**	61,224,464	35,798,369	**13,254**	16,008	16,008
Trade and other payables, including derivatives	15	**73,144,142**	77,816,325	71,627,584	**6,104,528**	6,018,155	6,974,329
Current tax payable		**792,697**	1,225,359	1,888,381	**–**	–	–
Current liabilities		**142,815,104**	140,402,856	109,433,539	**6,122,646**	6,034,163	6,990,337
Total liabilities		**164,269,647**	143,373,092	113,616,778	**6,149,868**	6,047,417	7,019,599
Total equity and liabilities		**303,043,924**	269,348,176	225,058,499	**41,986,723**	42,312,816	42,616,853

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Revenue	16	**333,325,488**	302,963,465
Cost of sales		**(272,810,484)**	(241,512,886)
Gross profit		**60,515,004**	61,450,579
Other income	17	**2,994,794**	1,129,602
Distribution and selling expenses		**(15,494,832)**	(14,522,380)
General and administrative expenses		**(19,311,285)**	(18,495,572)
Other expenses	18	**(1,096,765)**	(828,571)
Results from operating activities		**27,606,916**	28,733,658
Finance costs	19	**(1,693,865)**	(1,257,216)
Profit before tax	20	**25,913,051**	27,476,442
Tax expense	21	**(4,783,588)**	(4,827,389)
Profit for the year		**21,129,463**	22,649,053
Profit attributable to			
Owners of the Company		**19,337,618**	20,348,862
Non-controlling interests		**1,791,845**	2,300,191
Profit for the year		**21,129,463**	22,649,053
Earnings per share attributable to owners of the Company (cents per share)	22	**12.30**	12.94

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $
Profit for the year	**21,129,463**	22,649,053
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	**(3,396,169)**	(1,570,260)
Effective portion of changes in fair value of cash flow hedges	**17,199**	(29,009)
Other comprehensive income for the year, net of tax	**(3,378,970)**	(1,599,269)
Total comprehensive income for the year	**17,750,493**	21,049,784
Total comprehensive income attributable to:		
Owners of the Company	**16,255,964**	18,861,300
Non-controlling interests	**1,494,529**	2,188,484
Total comprehensive income for the year	**17,750,493**	21,049,784

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company					
	Note	Share capital $	Retained earnings $	Other reserves $	Total $	Non-controlling interests $	Total equity $
At 1 January 2017		31,440,000	59,192,230	13,900,269	104,532,499	6,909,222	111,441,721
Adjustment on transition to SFRS(I) 1		–	2,645,475	(2,645,475)	–	–	–
At 1 January 2017, as restated		31,440,000	61,837,705	11,254,794	104,532,499	6,909,222	111,441,721
Total comprehensive income for the year							
Profit for the year		–	20,348,862	–	20,348,862	2,300,191	22,649,053
Other comprehensive income							
Foreign currency translation differences		–	–	(1,458,553)	(1,458,553)	(111,707)	(1,570,260)
Effective portion of changes in fair value of cash flow hedges		–	–	(29,009)	(29,009)	–	(29,009)
Total other comprehensive income		–	–	(1,487,562)	(1,487,562)	(111,707)	(1,599,269)
Total comprehensive income for the year		–	20,348,862	(1,487,562)	18,861,300	2,188,484	21,049,784
Transaction with owners of the Company, recognised directly in equity							
Distributions to owners of the Company							
Dividends to owners of the Company	23	–	(6,288,000)	–	(6,288,000)	(228,421)	(6,516,421)
Total distributions to owners of the Company		–	(6,288,000)	–	(6,288,000)	(228,421)	(6,516,421)
Transfers between reserves							
Appropriation of retained earnings to statutory reserve fund		–	(2,852,068)	2,852,068	–	–	–
At 31 December 2017		31,440,000	73,046,499	12,619,300	117,105,799	8,869,285	125,975,084

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY** (CONT'D)

YEAR ENDED 31 DECEMBER 2018

	Note	Attributable to owners of the Company					
		Share capital $	Retained earnings $	Other reserves $	Total $	Non-controlling interests $	Total equity $
At 1 January 2018		31,440,000	73,046,499	12,619,300	117,105,799	8,869,285	125,975,084
Total comprehensive income for the year							
Profit for the year		–	19,337,618	–	19,337,618	1,791,845	21,129,463
Other comprehensive income							
Foreign currency translation differences		–	–	(3,098,853)	(3,098,853)	(297,316)	(3,396,169)
Effective portion of changes in fair value of cash flow hedges		–	–	17,199	17,199	–	17,199
Total other comprehensive income		–	–	(3,081,654)	(3,081,654)	(297,316)	(3,378,970)
Total comprehensive income for the year		–	19,337,618	(3,081,654)	16,255,964	1,494,529	17,750,493
Transaction with owners of the Company, recognised directly in equity							
Distributions to owners of the Company							
Unclaimed dividend reversed		–	190	–	190	–	190
Dividends to owners of the Company	23	–	(4,716,000)	–	(4,716,000)	(235,490)	(4,951,490)
Total distributions to owners of the Company		–	(4,715,810)	–	(4,715,810)	(235,490)	(4,951,300)
Transfers between reserves							
Appropriation of retained earnings to statutory reserve fund		–	(1,171,318)	1,171,318	–	–	–
At 31 December 2018		31,440,000	86,496,989	10,708,964	128,645,953	10,128,324	138,774,277

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Profit before tax		**25,913,051**	27,476,442
Adjustments for:			
Amortisation of deferred income	13	**(181,493)**	(144,399)
Depreciation of property, plant and equipment	4	**6,941,183**	6,451,612
Impairment loss on property, plant and equipment	4	**737,721**	195,060
Interest expense	19	**1,488,900**	1,091,512
Interest income	17	**(382,769)**	(286,023)
Net loss on disposal of property, plant and equipment		**52,931**	35,632
Net effect of exchange differences		**146,480**	(15,870)
Property, plant and equipment written off		**90,067**	18,184
Allowances made for impairment loss for inventories	8	**(292,019)**	715,596
Amortisation of intangible assets	5	**3,000**	3,000
Reversal of allowance for impairment losses of trade and other receivables (net)	17	**(158,513)**	(63,224)
		34,358,539	35,477,522
Changes in:			
– inventories		**(617,033)**	(7,738,943)
– trade and other receivables		**3,472,724**	(36,605,407)
– trade and other payables		**(2,451,383)**	8,614,887
Cash generated from/(used in) operations		**34,762,847**	(251,941)
Interest paid		**(1,489,959)**	(1,093,316)
Tax paid		**(5,601,768)**	(5,743,376)
Net cash from/(used in) operating activities		**27,671,120**	(7,088,633)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**189,617**	376,696
Acquisition of property, plant and equipment		**(30,439,145)**	(16,722,554)
Interest received		**382,769**	286,454
Net cash used in investing activities		**(29,866,759)**	(16,059,404)
Cash flows from financing activities			
Dividends paid		**(4,716,000)**	(6,288,000)
Dividends paid to non-controlling interests		**(235,490)**	(228,421)
Proceeds from loans and borrowings		**145,771,726**	92,506,934
Repayment of loans and borrowings		**(117,537,312)**	(67,640,915)
Decrease/(increase) in pledged deposits		**1,556,971**	(8,449,685)
Net cash from financing activities		**24,839,895**	9,899,913
Net increase/(decrease) in cash and cash equivalents		**22,644,256**	(13,248,124)
Cash and cash equivalents at 1 January		**27,129,533**	40,945,900
Effect of exchange rate fluctuations on cash held		**(1,284,187)**	(568,243)
Cash and cash equivalents at 31 December	10	**48,489,602**	27,129,533

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2019.

1 DOMICILE AND ACTIVITIES

Tat Seng Packaging Group Ltd (the "**Company**") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 28 Senoko Drive, Singapore 758214.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**").

The Group is primarily involved in the manufacturing and sales of corrugated paper products and other packaging products. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The immediate and ultimate holding company is Hanwell Holdings Limited, incorporated in the Republic of Singapore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("**FRS"**). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in note 31.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the significant accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is no information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are in the following notes:

- Note 4, 5 – impairment test: key assumptions underlying recoverable amounts of property, plant and equipment, and intangible assets
- Note 27 – measurement of impairment loss relating to financial assets

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Corporate Finance Manager has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

The Corporate Finance Manager regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuation reports, broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 27 – Financial risk management.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by the Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income (OCI) arising on the translation of:

- an investment in equity securities designated as at fair value through OCI (FVOCI) (2017: available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)); or
- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Construction and installation in progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	50 years
Leasehold buildings	20 years
Plant and machinery	5 – 10 years
Furniture and fittings	3 – 13 1/3 years
Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have a finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

Other intangible assets (Continued)

The estimate useful lives for the current and comparative years are as follows:

Club membership	29 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured on a specific identification basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.7 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets 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 FVTPL:

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

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets as loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(vi) Derivative financial instruments and hedge accounting (Continued)

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (Continued)

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(viii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3.8 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- intra-group financial guarantee contracts (FGC).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

General approach (Continued)

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

A financial asset is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant loans and receivables were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Policy applicable before 1 January 2018 (Continued)

Loans and receivables (Continued)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Non-financial assets (Continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.10 Government grants

Government grants are recognised initially as deferred income at their fair value where there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grants. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Retirement benefits

In accordance with the regulations of the People's Republic of China (the "PRC") Government, the subsidiaries are required to contribute employee retirement benefits to the relevant authority. The contributions are calculated based on directives issued by the relevant authority and are charged to profit or loss when incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.13 Revenue

Goods sold

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative standalone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a standalone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable standalone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Finance income and finance costs

Finance income and finance costs include:

- interest income; and
- interest expense on borrowings

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivables on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

3.19 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Construction in progress $	Installation in progress $	Total $
Group							
Cost							
At 1 January 2017	36,905,504	67,795,938	4,620,375	2,798,855	–	789,014	112,909,686
Additions	63,074	5,952,883	635,641	481,065	4,544,893	4,857,717	16,535,273
Disposals/write-off	–	(1,553,824)	(28,651)	(360,090)	–	–	(1,942,565)
Reclassification	–	413,893	24,938	–	–	(438,831)	–
Effect of movements in exchange rates	(616,248)	(798,003)	(56,443)	(38,641)	8,778	(4,435)	(1,504,992)
At 31 December 2017	36,352,330	71,810,887	5,195,860	2,881,189	4,553,671	5,203,465	125,997,402
At 1 January 2018	**36,352,330**	**71,810,887**	**5,195,860**	**2,881,189**	**4,553,671**	**5,203,465**	**125,997,402**
Additions	**61,126**	**3,944,463**	**518,994**	**556,902**	**6,691,926**	**18,843,798**	**30,617,209**
Disposals/write-off	**–**	**(3,018,513)**	**(79,998)**	**(46,500)**	**–**	**–**	**(3,145,011)**
Reclassification	**4,502,921**	**1,796,606**	**296,103**	**–**	**187,499**	**(6,783,129)**	**–**
Effect of movements in exchange rates	**(1,171,515)**	**(1,561,528)**	**(58,526)**	**(83,061)**	**(310,383)**	**(457,689)**	**(3,642,702)**
At 31 December 2018	**39,744,862**	**72,971,915**	**5,872,433**	**3,308,530**	**11,122,713**	**16,806,445**	**149,826,898**
Accumulated depreciation and impairment losses							
At 1 January 2017	12,748,177	39,375,727	2,297,739	1,202,575	–	–	55,624,218
Depreciation charge for the year	1,519,071	3,960,072	539,221	433,248	–	–	6,451,612
Disposals/write-off	–	(1,212,836)	(21,298)	(277,919)	–	–	(1,512,053)
Impairment loss	–	195,060	–	–	–	–	195,060
Effect of movements in exchange rates	(209,978)	(424,070)	(45,558)	(16,570)	–	–	(696,176)
At 31 December 2017	14,057,270	41,893,953	2,770,104	1,341,334	–	–	60,062,661
At 1 January 2018	**14,057,270**	**41,893,953**	**2,770,104**	**1,341,334**	**–**	**–**	**60,062,661**
Depreciation charge for the year	**1,596,107**	**4,362,272**	**535,957**	**446,847**	**–**	**–**	**6,941,183**
Disposals/write-off	**–**	**(2,713,985)**	**(65,994)**	**(32,417)**	**–**	**–**	**(2,812,396)**
Impairment loss	**–**	**646,699**	**57,605**	**33,417**	**–**	**–**	**737,721**
Effect of movements in exchange rates	**(448,641)**	**(903,316)**	**(42,546)**	**(39,411)**	**–**	**–**	**(1,433,914)**
At 31 December 2018	**15,204,736**	**43,285,623**	**3,255,126**	**1,749,770**	**–**	**–**	**63,495,255**
Carrying amounts							
At 1 January 2017	24,157,327	28,420,211	2,322,636	1,596,280	–	789,014	57,285,468
At 31 December 2017	22,295,060	29,916,934	2,425,756	1,539,855	4,553,671	5,203,465	65,934,741
At 31 December 2018	**24,540,126**	**29,686,292**	**2,617,307**	**1,558,760**	**11,122,713**	**16,806,445**	**86,331,643**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Installation in progress $	Total $
Company					
Cost					
At 1 January 2017	2,781,574	193,077	454,988	17,967	3,447,606
Additions	–	10,077	–	–	10,077
At 31 December 2017	2,781,574	203,154	454,988	17,967	3,457,683
At 1 January 2018	**2,781,574**	**203,154**	**454,988**	**17,967**	**3,457,683**
Additions	**–**	**5,021**	**–**	**–**	**5,021**
Reclassification	**–**	**17,967**	**–**	**(17,967)**	**–**
At 31 December 2018	**2,781,574**	**226,142**	**454,988**	**–**	**3,462,704**
Accumulated depreciation					
At 1 January 2017	177,908	76,974	197,162	–	452,044
Depreciation charge for the year	278,157	29,197	90,998	–	398,352
At 31 December 2017	456,065	106,171	288,160	–	850,396
At 1 January 2018	**456,065**	**106,171**	**288,160**	**–**	**850,396**
Depreciation charge for the year	**278,158**	**29,012**	**90,997**	**–**	**398,167**
At 31 December 2018	**734,223**	**135,183**	**379,157**	**–**	**1,248,563**
Carrying amounts					
At 1 January 2017	2,603,666	116,103	257,826	17,967	2,995,562
At 31 December 2017	2,325,509	96,983	166,828	17,967	2,607,287
At 31 December 2018	**2,047,351**	**90,959**	**75,831**	**–**	**2,214,141**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $30,617,209 (2017: $16,535,273; 1 Jan 2017: $8,635,255) and $785,753 (2017: $390,325; 1 Jan 2017: $383,205) remained unsettled as of year end.

The carrying amount of motor vehicles held under finance leases at the reporting date was $75,831 (2017: $166,828; 1 Jan 2017: $257,826). Leased assets are pledged as security for the related finance leases liabilities (note 14).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following property, plant and equipment are pledged to banks to secure banking facilities granted to subsidiaries (note 14).

	Group		
	2018	**2017**	**1 Jan 2017**
	$	**$**	**$**
Leasehold land and buildings	**22,446,074**	19,968,317	21,684,844
Plant and machinery	**1,729,342**	3,400,309	1,744,370
Construction in progress	**11,122,714**	–	–
Installation in progress	**13,828,240**	–	–
	49,126,370	23,368,626	23,429,214

Impairment losses of property, plant and equipment

In 2018, the Group carried out a review of the recoverable amounts of property, plant and equipment. This review led to the recognition of impairment losses of $737,721 (2017: $195,060; 1 Jan 2017: Nil) arising from the obsolescence of equipment.

The recoverable amounts of the property, plant and equipment is the greater of its value-in-use and its fair value less costs of disposal. Cash flow projections used in these calculations were over a period of 5 to 15 years (2017: 5 to 15 years; 1 Jan 2017: 5 to 15 years), based on the 2019 financial budget approved by management.

The approach to determine the recoverable amounts of the CGUs is categorised as follows:

- CGUs that are loss making or marginally profitable but are expected to be able to generate economic benefits. The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal of the assets. The fair value less costs of disposal is based on market valuation performed by independent valuers with experience in the location and category of the land and building being valued.

- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Key assumptions used in the estimation of value-in-use were as follows:

	2018 %	2017 %
Revenue growth rate		
Singapore	**4**	1 – 6
People's Republic of China	**6 – 13**	-15 – 7
Pre-tax discount rate		
Singapore	**12**	15
People's Republic of China	**16-17**	16 – 18

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management.

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. The Group believes that any reasonably possible change in the above key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

The fair value measurement is categorised as level 3 under the fair value hierarchy (see note 2.4). Details of valuation techniques and key inputs used for the estimation of the recoverable amounts of CGU based on fair value less costs of disposal:

Type	Valuation technique	Significant unobservable inputs
Long term leasehold land	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.
Long term leasehold building and plant and machinery	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the building and plant and machinery from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

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5 INTANGIBLE ASSETS

	Group			Company
	Goodwill	Club membership	Total	Club membership
	$	$	$	$
Cost				
At 1 January 2017	1,144,604	95,000	1,239,604	95,000
Effect of movements in exchange rates	(18,821)	–	(18,821)	–
At 31 December 2017	1,125,783	95,000	1,220,783	95,000
At 1 January 2018	**1,125,783**	**95,000**	**1,220,783**	**95,000**
Effect of movements in exchange rates	**(32,102)**	**–**	**(32,102)**	**–**
At 31 December 2018	**1,093,681**	**95,000**	**1,188,681**	**95,000**
Accumulated amortisation				
At 1 January 2017	–	77,000	77,000	77,000
Amortisation charge for the year	–	3,000	3,000	3,000
At 31 December 2017	–	80,000	80,000	80,000
At 1 January 2018	**–**	**80,000**	**80,000**	**80,000**
Amortisation charge for the year	**–**	**3,000**	**3,000**	**3,000**
At 31 December 2018	**–**	**83,000**	**83,000**	**83,000**
Carrying amounts				
At 1 January 2017	1,144,604	18,000	1,162,604	18,000
At 31 December 2017	1,125,783	15,000	1,140,783	15,000
At 31 December 2018	**1,093,681**	**12,000**	**1,105,681**	**12,000**

Annual impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU identified as included in the following reportable segment:

	Group		
	2018	2017	1 Jan 2017
	$	$	$
Singapore	**17,684**	17,684	17,684
People's Republic of China			
– Hefei Dansun Packaging Co., Ltd	**611,452**	629,694	640,390
– Nantong group of entities	**464,545**	478,405	486,530
	1,093,681	1,125,783	1,144,604

NOTES TO THE FINANCIAL STATEMENTS

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5 INTANGIBLE ASSETS (CONTINUED)

Annual impairment tests for cash-generating units containing goodwill (Continued)

The recoverable amount of a CGU is determined annually based on value-in-use calculations. These calculations use cash flow projections over a period of 5 years (2017: 5 years; 1 Jan 2017: 5 years) based on the 2019 financial budget approved by management.

For the purpose of analysing each CGU, management used the following key assumptions:

	2018	2017
	%	%
Revenue growth rate		
Singapore	**4**	1 – 6
People's Republic of China	**6 – 13**	-15 – 7
Pre-tax discount rate		
Singapore	**16**	17
People's Republic of China	**19**	19

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. The Group believes that any reasonably possible change in the above key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

6 INVESTMENT IN SUBSIDIARIES

		Company	
	2018	2017	1 Jan 2017
	$	$	$
Equity investments at cost	**29,320,868**	29,320,868	29,320,868
Less: Accumulated impairment loss	**(814,328)**	(1,283,903)	(1,134,747)
	28,506,540	28,036,965	28,186,121

Management noted an indication of impairment with respect to the investment in Tianjin Dansun Packaging Co., Ltd (Tianjin Dansun) as Tianjin Dansun was in loss making position for the past few years. Management carried out an impairment assessment on the recoverable amount of Tianjin Dansun.

As at 31 December 2018, a reversal of impairment loss of $469,575 was made as the recoverable amount of the investment was assessed to be higher than the prior year. The reason for the higher recoverable amount is Tianjin Dansun moving into a profit-making position for the year ended 31 December 2018 from being loss-making for the past few years. The recoverable amount of the investment was estimated using the fair value less costs of disposal approach. The fair values of the underlying assets were estimated based on their estimated selling prices and the fair value of the underlying liabilities based on the estimated cash outflows to settle the obligations.

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6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Principal activities	Ownership interest		
			2018 %	2017 %	1 Jan 2017 %
Held by the Company:					
United Packaging Industries Pte. Ltd.[i]	Singapore	Manufacture and sales of corrugated boards, corrugated cartons and other packaging products	**100**	100	100
Tat Seng Packaging (Suzhou) Co., Ltd[ii]	People's Republic of China	Manufacture and sales of corrugated boards, corrugated cartons and other packaging products	**100**	100	100
Hefei Dansun Packaging Co., Ltd[ii]	People's Republic of China	Manufacture and sales of corrugated cartons and other packaging products	**94.4**	94.4	94.4
Tianjin Dansun Packaging Co., Ltd[ii]	People's Republic of China	Manufacture and sales of corrugated cartons and other packaging products	**67**	67	67
Held through Tat Seng Packaging (Suzhou) Co., Ltd:					
Nantong Hengcheng Paper Industry Co., Ltd[ii]	People's Republic of China	Manufacture and sales of corrugated boards	**70**	70	70
Held through Nantong Hengcheng Paper Industry Co., Ltd:					
Nantong Tat Seng Packaging Co., Ltd[ii]	People's Republic of China	Manufacture and sales of corrugated boards	**100**	100	100

(i) Audited by KPMG LLP, Singapore

(ii) Audited/limited review performed by KPMG Huazhen for group consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS

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7 DEFERRED TAX ASSETS

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Group						
Property, plant and equipment	**(623,865)**	(420,081)	(855,080)	**–**	–	287,822
Provisions	**(1,120,355)**	(856,174)	(1,005,508)	**–**	–	–
Investment in subsidiaries	**–**	–	–	**1,529,900**	1,531,712	1,276,370
Trade and other receivables	**(181,182)**	(466,326)	(302,713)	**–**	–	102,797
Tax loss carry-forwards	**(1,721,280)**	(1,524,704)	(965,014)	**–**	–	–
Deferred tax (assets)/ liabilities recognised in the statements of financial position	**(3,646,682)**	(3,267,285)	(3,128,315)	**1,529,900**	1,531,712	1,666,989
Less: deferred tax liabilities	**1,529,900**	1,531,712	1,666,989	**(1,529,900)**	(1,531,712)	(1,666,989)
Net balances per the deferred tax assets and liabilities movement table	**(2,116,782)**	(1,735,573)	(1,461,326)	**–**	–	–
Company						
Property, plant and equipment	**(639,221)**	(583,551)	(536,138)	**–**	–	–
Provisions	**(170,421)**	(187,556)	(205,769)	**–**	–	–
Tax loss carry-forwards	**(1,565,245)**	(1,374,052)	(963,466)	**–**	–	–
Deferred tax assets	**(2,374,887)**	(2,145,159)	(1,705,373)	**–**	–	–

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	2018 $	2017 $	1 Jan 2017 $
Unutilised tax losses	**7,685,156**	7,875,000	7,899,849

7 DEFERRED TAX ASSETS (CONTINUED)

Unrecognised deferred tax assets (Continued)

The unutilised tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries concerned can utilise the benefit. Tax losses of the subsidiaries concerned amounting to $7,685,156 (2017: $7,875,000; 1 Jan 2017: $7,899,849) will expire between 2018 and 2022 (2017: 2018 and 2022; 1 Jan 2017: 2017 and 2021).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2018, deferred tax liabilities of $2,370,832 (2017: $1,747,307; 1 Jan 2017: $1,541,112)/ temporary differences of $47,416,631 (2017: $34,946,131; 1 Jan 2017: $30,822,230) arising from undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

Movements in deferred tax assets and liabilities during the year:

	At 1 January 2017 $	Recognised in profit or loss (note 21) $	Exchange differences $	At 31 December 2017 $	Recognised in profit or loss (note 21) $	Exchange differences $	At 31 December 2018 $
Group							
Property, plant and equipment	(567,258)	151,507	(4,330)	(420,081)	(200,511)	(3,273)	**(623,865)**
Provisions	(1,005,508)	136,349	12,985	(856,174)	(290,412)	26,231	**(1,120,355)**
Investment in subsidiaries	1,276,370	255,342	–	1,531,712	(1,812)	–	**1,529,900**
Trade and other receivables	(199,916)	(269,230)	2,820	(466,326)	278,872	6,272	**(181,182)**
Tax loss carry-forwards	(965,014)	(559,690)	–	(1,524,704)	(196,576)	–	**(1,721,280)**
Total	(1,461,326)	(285,722)	11,475	(1,735,573)	(410,439)	29,230	**(2,116,782)**

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FINANCIAL STATEMENTS

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7 DEFERRED TAX ASSETS (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised temporary differences relating to investments in subsidiaries (Continued)

	At 1 January 2017 $	Recognised in profit or loss $	At 31 December 2017 $	Recognised in profit or loss $	At 31 December 2018 $
Company					
Property, plant and equipment	(536,138)	(47,413)	(583,551)	(55,670)	**(639,221)**
Provisions	(205,769)	18,213	(187,556)	17,135	**(170,421)**
Tax loss carry-forwards	(963,466)	(410,586)	(1,374,052)	(191,193)	**(1,565,245)**
Total	(1,705,373)	(439,786)	(2,145,159)	(229,728)	**(2,374,887)**

8 INVENTORIES

	Group			Company		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Raw materials	**22,779,241**	22,333,785	16,302,566	**–**	–	–
Work-in-progress	**366,474**	389,607	407,025	**–**	–	–
Finished goods	**1,860,241**	1,958,941	1,473,477	**–**	–	–
Goods-in-transit	**477,643**	532,929	387,677	**–**	–	–
Machinery parts	**667,716**	638,094	520,136	**101,386**	119,971	61,890
	26,151,315	25,853,356	19,090,881	**101,386**	119,971	61,890
Inventories recognised in cost of sales	**271,691,695**	239,512,040	175,119,531	**20,540,739**	18,981,575	15,990,667
(Write-back)/allowances made for impairment loss for inventories	**(292,019)**	715,596	45,472	**–**	–	–

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9 TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Group			Company		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Trade receivables	**65,888,139**	64,828,738	45,587,138	**4,654,116**	4,580,884	3,237,770
Bills receivables	**55,081,528**	63,424,999	48,361,197	**–**	–	–
Amounts due from subsidiary (trade)	**–**	–	–	**230,837**	–	–
Amounts due from subsidiary (non-trade)	**–**	–	–	**2,471,643**	184,690	196,445
Other receivables	**593,454**	757,690	1,659,649	**104,807**	96,505	24,837
Deposits	**566,141**	553,429	506,411	**5,662**	5,662	5,662
	122,129,262	129,564,856	96,114,395	**7,467,065**	4,867,741	3,464,714
Financial derivatives assets	**–**	–	1,949	**–**	–	–
Prepayments	**379,417**	455,773	615,998	**18,597**	21,080	23,020
Advances to suppliers	**3,807,739**	3,109,189	2,211,150	**–**	–	57,988
	126,316,418	133,129,818	98,943,492	**7,485,662**	4,888,821	3,545,722

Non-trade balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

10 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Fixed deposits	**–**	–	4,000,000	**–**	–	4,000,000
Cash at banks and in hand	**59,492,185**	40,022,193	41,447,739	**1,292,107**	4,499,613	2,104,185
	59,492,185	40,022,193	45,447,739	**1,292,107**	4,499,613	6,104,185

Cash and bank balances totalling $56,782,816 (2017: $33,783,303; 1 Jan 2017: $37,222,891) are held in a country which operates foreign exchange controls. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

	Group		
	2018 $	2017 $	1 Jan 2017 $
Fixed deposits	**–**	–	4,000,000
Cash at banks and in hand	**59,492,185**	40,022,193	41,447,739
	59,492,185	40,022,193	45,447,739
Cash and bank balances pledged as security for bills payable granted to the Group	**(11,002,583)**	(12,892,660)	(4,501,839)
Cash and cash equivalents	**48,489,602**	27,129,533	40,945,900

NOTES TO THE FINANCIAL STATEMENTS

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11 SHARE CAPITAL

	Group and Company	
	2018	**2017**
	No. of shares	**No. of shares**
Fully paid ordinary shares, with no par value		
At 1 January and 31 December	**157,200,000**	157,200,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

12 OTHER RESERVES

	Group			Company		
			1 Jan			**1 Jan**
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	$	**$**	**$**	**$**	**$**	**$**
Foreign currency translation reserve	**(4,557,405)**	(1,458,552)	–	**–**	–	–
Statutory reserve fund	**11,710,536**	10,539,218	7,687,151	**–**	–	–
Capital reserve	**3,565,694**	3,565,694	3,565,694	**–**	–	–
Hedging reserve	**(9,861)**	(27,060)	1,949	**–**	–	–
	10,708,964	12,619,300	11,254,794	**–**	–	–

(i) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(ii) The statutory reserve for subsidiaries located in PRC. In accordance with the Foreign Enterprise Law applicable to the companies in the PRC, subsidiaries of the Group are required to make appropriation to statutory reserve fund (SRF). 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 SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders. Appropriation to SRF for subsidiaries that are not wholly-owned are at the discretion of the Board of Directors.

(iii) The capital reserve comprises:

- the capitalisation of retained earnings of a subsidiary of the Group. The subsidiary capitalised its retained earnings in 2002 and 2005 in view of its expansion plans.
- the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisition of non-controlling interests in a subsidiary.

(iv) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flows hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

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13 DEFERRED INCOME

	Group			Company		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Capital grants						
At 1 January	**1,353,877**	1,295,099	1,304,880	**–**	–	–
Grants received during the year	**506,500**	224,651	168,222	**37,365**	–	–
Amortisation charge for the year	**(181,493)**	(144,399)	(119,698)	**(5,279)**	–	–
Effect of movements in exchange rates	**(44,845)**	(21,474)	(58,305)	**–**	–	–
	1,634,039	1,353,877	1,295,099	**32,086**	–	–
Current	**200,577**	136,708	119,205	**4,864**	–	–
Non-current	**1,433,462**	1,217,169	1,175,894	**27,222**	–	–
	1,634,039	1,353,877	1,295,099	**32,086**	–	–

Included in deferred income are deferred capital grants relating to subsidies received from government for the acquisition of factory building and plant and machinery by its subsidiaries. The grant is amortised to match the depreciation of the related property, plant and equipment acquired and is presented in other income. There are no unfulfilled conditions or contingencies attached to this grant.

14 LOANS AND BORROWINGS

	Group			Company		
	2018 $	2017 $	1 Jan 2017 $	2018 $	2017 $	1 Jan 2017 $
Non-current						
Secured loans*	**18,491,181**	–	236,682	**–**	–	–
Unsecured loans	**–**	208,101	1,074,412	**–**	–	–
Secured obligations under finance lease*	**–**	13,254	29,262	**–**	13,254	29,262
	18,491,181	221,355	1,340,356	**–**	13,254	29,262
Current						
Bills payable*	**38,249,036**	38,921,960	21,718,742	**–**	–	–
Unsecured loan from non-controlling interests	**397,390**	409,246	416,197	**–**	–	–
Unsecured loans	**21,971,247**	7,809,709	6,742,493	**–**	–	–
Secured loans*	**8,046,761**	14,067,541	6,904,929	**–**	–	–
Secured obligations under finance lease*	**13,254**	16,008	16,008	**13,254**	16,008	16,008
	68,677,688	61,224,464	35,798,369	**13,254**	16,008	16,008
Total loans and borrowings	**87,168,869**	61,445,819	37,138,725	**13,254**	29,262	45,270

* See note 4 for securities pledged.

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14 LOANS AND BORROWINGS (CONTINUED)

Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment. These leases have options to purchase the property, plant and equipment at an agreed price which is stated in the agreement.

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

	Future minimum lease payment 2018 $	Present value of minimum lease payment 2018 $	Future minimum lease payment 2017 $	Present value of minimum lease payment 2017 $	Future minimum lease payment 1 Jan 2017 $	Present value of minimum lease payment 1 Jan 2017 $
Group and Company						
Within 1 year	**14,820**	**13,254**	17,832	16,008	17,832	16,008
After 1 year but within 5 years	**–**	**–**	14,820	13,254	32,864	29,262
Total minimum lease payments	**14,820**	**13,254**	32,652	29,262	50,696	45,270
Less: Amounts representing finance charges	**(1,566)**	**–**	(3,390)	–	(5,426)	–
Present value of minimum lease payments	**13,254**	**13,254**	29,262	29,262	45,270	45,270

14 LOANS AND BORROWINGS (CONTINUED)

Finance lease commitments (Continued)

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate per annum	Maturity	2018 Face value $	2018 Carrying amount $	2017 Face value $	2017 Carrying amount $	1 Jan 2017 Face value $	1 Jan 2017 Carrying amount $
Group								
Obligation under finance leases (secured)	4.48%	2019	**14,820**	**13,254**	32,652	29,262	50,696	45,270
Renminbi (“RMB”) loan A (secured)	5.23%	2023	**19,464,401**	**19,464,401**	–	–	–	–
RMB loan B (secured)	5.00%	2019	**1,986,950**	**1,986,950**	–	–	–	–
RMB loan C (secured)	4.79%	2019	**5,086,591**	**5,086,591**	–	–	–	–
RMB loan D (secured)	5.66%	2018	**–**	**–**	1,882,530	1,882,530	–	–
RMB loan E (secured)	4.79%	2018	**–**	**–**	6,137,040	6,137,040	–	–
RMB loan F (secured)	4.79%	2018	**–**	**–**	5,402,043	5,402,043	–	–
RMB loan G (secured)	4.79 – 5.00%	2018	**–**	**–**	409,246	409,246	–	–
RMB loan H (secured)	5.00%	2017	**–**	**–**	–	–	1,914,505	1,914,505
RMB loan I (secured)	4.79%	2017	**–**	**–**	–	–	4,530,428	4,530,428
SGD loan J (secured)	3.40 – 4.00%	2018	**–**	**–**	236,682	236,682	696,678	696,678
Loan with non-controlling interests (unsecured)	4.79%	2019	**397,390**	**397,390**	–	–	–	–
Loan with non-controlling interests (unsecured)	4.79%	2018	**–**	**–**	409,246	409,246	–	–
Loan with non-controlling interests (unsecured)	4.79%	2017	**–**	**–**	–	–	416,197	416,197
RMB loan K (unsecured)	5.46%	2019	**202,073**	**202,073**	624,304	624,304	1,058,180	1,058,180
RMB loan L (unsecured)	4.87%	2019	**4,607,056**	**4,607,056**	–	–	–	–
RMB loan M (unsecured)	4.70%	2019	**13,709,953**	**13,709,953**	–	–	–	–
RMB loan N (unsecured)	4.79%	2019	**2,539,322**	**2,539,322**	–	–	–	–
RMB loan O (unsecured)	5.00%	2019	**912,843**	**912,843**	–	–	–	–
RMB loan P (unsecured)	5.46%	2018	**–**	**–**	432,163	432,163	879,007	879,007
RMB loan Q (unsecured)	4.57%	2018	**–**	**–**	4,092,456	4,092,456	–	–
RMB loan R (unsecured)	4.79%	2018	**–**	**–**	2,868,887	2,868,887	–	–
RMB loan S (unsecured)	4.57 – 5.00%	2017	**–**	**–**	–	–	5,879,718	5,879,718
Bills payable (secured) [i]		2019	**38,249,036**	**38,249,036**	–	–	–	–
Bills payable (secured) [i]		2018	**–**	**–**	38,921,960	38,921,960	–	–
Bills payable (secured) [i]		2017	**–**	**–**	–	–	21,718,742	21,718,742
			87,170,435	**87,168,869**	61,449,209	61,445,819	37,144,151	37,138,725
Company								
Obligation under finance leases (secured)	4.48%	2019	**14,820**	**13,254**	32,652	29,262	50,696	45,270

[i] The bills payable of the Group are secured by the leasehold land, certain leasehold buildings, certain plant and machinery, cash and bank balances of the Group, and are non-interest bearing and mature within 6 months from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

14 LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities
	Loans and borrowings $
Balance at 1 January 2017	37,138,725
Changes from financing cash flows	
Proceeds from loans and borrowings	92,506,934
Repayment of loans and borrowings	(67,640,915)
Total changes from financing cash flows	24,866,019
The effect of changes in foreign exchange rates	(558,925)
Balance at 31 December 2017	61,445,819
Balance at 1 January 2018	**61,445,819**
Changes from financing cash flows	
Proceeds from loans and borrowings	145,771,726
Repayment of loans and borrowings	(117,537,312)
Total changes from financing cash flows	28,234,414
The effect of changes in foreign exchange rates	(2,511,364)
Balance at 31 December 2018	**87,168,869**

15 TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group			Company		
	2018 $	**2017 $**	**1 Jan 2017 $**	**2018 $**	**2017 $**	**1 Jan 2017 $**
Trade payables	**51,995,020**	58,673,945	54,192,101	**80,122**	74,569	61,810
Other payables	**5,541,549**	4,051,146	4,150,278	**284,299**	254,829	435,726
Financial derivatives liabilities	**9,861**	27,060	–	**–**	–	–
Accrued operating expenses	**5,421,075**	4,949,423	4,988,828	**1,137,614**	1,209,631	1,417,674
Accrued staff remuneration	**10,150,957**	10,089,071	8,244,696	**3,747,963**	3,892,284	2,983,476
Amounts due to subsidiaries						
– trade	**–**	–	–	**797,573**	483,093	1,945,224
– non-trade	**–**	–	–	**31,277**	78,069	78,738
Amounts due to holding company (non-trade)	**25,680**	25,680	51,681	**25,680**	25,680	51,681
	73,144,142	77,816,325	71,627,584	**6,104,528**	6,018,155	6,974,329

Non-trade balances with subsidiaries and holding company are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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16 REVENUE

	Group	
	2018	2017
	$	$
Sale of goods	**333,325,488**	302,963,465

17 OTHER INCOME

	Group	
	2018	2017
	$	$
Interest income from fixed deposit and others	**382,769**	286,023
Government grants	**1,130,825**	298,132
Net foreign exchange gain	**844,423**	–
Reversal of allowance for impairment losses of trade and other receivables (net)	**158,513**	63,224
Amortisation of deferred income	**181,493**	144,399
Others	**296,771**	337,824
	2,994,794	1,129,602

18 OTHER EXPENSES

	Group	
	2018	2017
	$	$
Property, plant and equipment written off	**90,067**	18,184
Net loss on disposal of property, plant and equipment	**52,931**	35,632
Impairment loss on property, plant and equipment	**737,721**	195,060
Amortisation of intangible assets	**3,000**	3,000
Net foreign exchange loss	**–**	360,666
Others	**213,046**	216,029
	1,096,765	828,571

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YEAR ENDED 31 DECEMBER 2018

19 FINANCE COSTS

	Group	
	2018	2017
	$	$
Interest expense on loans and borrowings	**1,488,900**	1,091,512
Bank charges	**204,965**	165,704
	1,693,865	1,257,216

20 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2018	2017
	$	$
Audit fees paid to:		
– auditors of the Company	**128,642**	123,338
– other auditors	**146,830**	138,755
Non-audit fees paid to:		
– auditors of the Company	**7,000**	7,000
– other auditors	**26,000**	26,000
Directors’ fees	**204,000**	192,000
Staff costs	**35,791,604**	33,808,140
Contributions to defined contribution plans, included in staff costs	**2,259,882**	2,214,458
Depreciation of property, plant and equipment	**6,941,183**	6,451,612
Operating lease expenses	**2,344,183**	2,428,368

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21 TAX EXPENSE

	Note	Group 2018 $	Group 2017 $
Current tax expense			
Current year		**4,967,837**	6,058,567
Adjustments for prior years		**226,190**	(945,456)
		5,194,027	5,113,111
Deferred tax expense			
Origination and reversal of temporary differences		**(353,798)**	(379,598)
Adjustments for prior years		**(56,641)**	93,876
	7	**(410,439)**	(285,722)
Total tax expenses		**4,783,588**	4,827,389
Reconciliation of effective tax rate			
Profit before tax		**25,913,051**	27,476,442
Tax at applicable rate of 17% (2017: 17%)		**4,405,219**	4,670,995
Non-deductible expenses		**242,384**	74,101
Income not subject to tax		**(125,151)**	(78,342)
Effects of tax rates in foreign jurisdiction		**44,312**	325,429
Tax incentives		**(180,898)**	(306,147)
Deferred tax assets not recognised		**–**	210,452
Recognition of previously unrecognised tax losses		**(240,809)**	–
Withholding tax		**334,069**	760,027
Under/(over) provided in prior years		**169,549**	(851,580)
Others		**134,913**	22,454
		4,783,588	4,827,389

A foreign subsidiary was accredited as a “High and New Technology Enterprise” (“HNTE”) and was entitled to a preferential income tax rate of 15% for a period of three years from 2016 to 2018. Another foreign subsidiary, which was previously accredited as a HNTE from 2014 to 2016, renewed its HNTE qualification in 2017, and was entitled to the preferential tax rate of 15% for another three years from 2017 to 2019.

22 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

22 EARNINGS PER SHARE (CONTINUED)

The following tables reflect the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2018	2017
	$	$
Profit, net of tax, attributable to owners of the Company	**19,337,618**	20,348,862
	No. of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**157,200,000**	157,200,000

As there are no share options and warrants in issue as at the financial year end, the basic and fully diluted earnings per share are the same.

23 DIVIDENDS

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2018	2017
	$	$
Paid by the Company to owner of the Company		
Final exempt (one-tier) dividend at $0.02 (2017: $0.02) per ordinary share in respect of the previous financial year	**3,144,000**	3,144,000
Special exempt (one-tier) dividend at Nil (2017: $0.01) per ordinary share in respect of the previous financial year	**–**	1,572,000
Interim exempt (one-tier) dividend at $0.01 (2017: $0.01) per ordinary share in respect of the current financial year	**1,572,000**	1,572,000
	4,716,000	6,288,000

	Group	
	2018	2017
	$	$
Paid by subsidiary to NCI		
Final dividend in respect of the current financial year	**235,490**	228,421

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YEAR ENDED 31 DECEMBER 2018

23 DIVIDENDS (CONTINUED)

For the year ended 31 December (Continued)

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2018	**2017**
	$	**$**
Final exempt (one-tier) dividend at $0.02 (2017: $0.02) per ordinary share in respect of current financial year	**3,144,000**	3,144,000

24 BANKING FACILITIES

The amounts of credit facilities granted by the banks to the Group and the Company at the reporting date were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Loan and trade financing facilities	**143,553,036**	105,375,773	**6,100,000**	6,100,000
Overdraft facilities	**2,000,000**	2,100,000	**–**	–
Foreign exchange contracts	**7,250,000**	11,750,000	**1,000,000**	1,000,000

The banking facilities of its subsidiaries are secured by the leasehold land, certain leasehold buildings and certain plant and machinery of its subsidiaries (note 4).

25 RELATED PARTIES

During the year, other than disclosed elsewhere in the financial statements, there were the following significant transactions with related parties:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Holding company:				
Corporate service fee	**48,000**	48,000	**48,000**	48,000
Subsidiaries:				
Services rendered	**–**	–	**(805,594)**	(606,184)
Management fee income	**–**	–	**(499,109)**	(494,444)
Dividend income	**–**	–	**(6,717,630)**	(10,093,701)
Purchases	**–**	–	**19,682,770**	18,177,453
Related parties:				
Sales	**(46,666)**	(38,795)	**(46,666)**	(38,795)

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25 RELATED PARTIES (CONTINUED)

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2018	2017
	$	$
Short-term employee benefits	**4,868,770**	5,010,962
Defined contributions plan	**43,352**	43,352
Other short-term benefits	**93,886**	94,688
Total compensation paid to Executive Directors of the Company, included in staff costs	**5,006,008**	5,149,002

The management considers that there were no key management personnel other than the Executive Directors.

26 COMMITMENTS

Lease commitments

The Group has entered into commercial leases on certain factory equipment, office equipment and leasehold land and properties. These non-cancellable leases have remaining lease terms of between 1 to 31 years. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. One of the leasehold properties contains a clause to enable upward revisions of rental charge by 7% in June 2010 and 7% every 3 years thereafter.

At the reporting date, commitments of the Group and the Company for minimum lease payments under non-cancellable operating leases are as follows:

	Group			Company		
			1 Jan			1 Jan
	2018	2017	2017	2018	2017	2017
	$	$	$	$	$	$
Within 1 year	**2,272,884**	2,236,501	2,299,755	**1,777,088**	1,715,060	1,715,060
After 1 year but within 5 years	**4,913,356**	7,732,638	9,017,600	**4,557,201**	6,334,290	7,162,378
More than 5 years	**568,819**	788,502	1,783,645	**–**	–	886,972
	7,755,059	10,757,641	13,101,000	**6,334,289**	8,049,350	9,764,410

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26 COMMITMENTS (CONTINUED)

Capital commitments

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Capital commitments in respect of purchase of property, plant and equipment	**4,285,499**	7,650,163	**–**	1,993

Corporate guarantees

At the reporting date, the Company provided corporate guarantees amounting to $50,835,079 (2017: $40,352,381) to banks for banking facilities of $54,835,079 (2017: $45,522,381) made available to its subsidiaries, of which the subsidiaries has utilised $32,185,757 (2017: $23,620,478).

27 FINANCIAL RISK MANAGEMENT

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's maximum exposure to credit risk arises primarily from trade and other receivables.

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing with reputable counterparties. As at 31 December 2018, the Group's concentration of credit risk by geographical locations is in Singapore and the PRC.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

The Group determines concentration of credit risk by monitoring the country of its trade and bills receivables on an on-going basis. The credit risk concentration profile of the Group's trade and bills receivables by country at the reporting date is as follows:

	2018 $	2018 %	2017 $	2017 %	1 Jan 2017 $	1 Jan 2017 %
Singapore	**9,607,530**	**8**	8,737,307	7	5,801,974	6
PRC	**111,362,137**	**92**	119,516,430	93	88,146,361	94
	120,969,667	**100**	128,253,737	100	93,948,335	100

Impairment losses

The ageing of trade and other receivables** that are not impaired at the reporting date is:

	2018 $	2017 $	1 Jan 2017 $
Group			
Not past due	**107,809,731**	121,973,592	89,566,225
Past due 1 – 90 days	**12,671,551**	6,051,373	4,032,485
Past due 91 – 180 days	**412,266**	38,157	343,553
More than 180 days	**76,121**	190,615	6,072
No credit term	**1,159,593**	1,311,119	2,166,060
	122,129,262	129,564,856	96,114,395
Company			
Not past due	**3,634,532**	4,496,551	2,670,914
Past due 1 – 90 days	**1,250,421**	84,333	566,856
Past due 91 – 180 days	**–**	–	–
More than 180 days	**–**	–	–
No credit term	**2,582,112**	286,857	226,944
	7,467,065	4,867,741	3,464,714

** *excludes financial derivative assets, prepayments and advances to suppliers*

NOTES TO THE FINANCIAL STATEMENTS

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment losses (Continued)

The movements in impairment losses in respect of trade and other receivables during the year are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
At 1 January	**1,608,072**	1,930,604	**2,078**	70
(Reversal of allowance)/ Allowance for impairment losses of trade and other receivables (net)	**(158,513)**	(63,224)	**–**	2,008
Amounts written off	**(1,006,696)**	(226,388)	**(2,078)**	–
Exchange differences	**(15,319)**	(32,920)	**–**	–
At 31 December	**427,544**	1,608,072	**–**	2,078

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

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

Significant cash and cash equivalents balances of the Group are mainly placed with financial institutions with investment-grade credit ratings assigned by an international credit rating agency. The ECL for the remaining cash balances held by other financial institutions are immaterial.

For bills receivables held by the Group, the ECL are considered immaterial after taking into consideration of past payment trend and all bill receivables are within credit term.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. Liquidity risk arises in the general funding of the Group's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate positions in a timely manner at a reasonable price.

The Group manages its liquidity risk by ensuring the availability of funding through diverse sources of committed and uncommitted credit facilities from various banks and maintaining adequate cash and cash equivalents.

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FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but within 5 years $
Group				
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables*	**73,134,281**	**(73,134,281)**	**(73,134,281)**	**–**
Loans and borrowings	**87,168,869**	**(93,369,230)**	**(73,729,650)**	**(19,639,580)**
	160,303,150	**(166,503,511)**	**(146,863,931)**	**(19,639,580)**
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled)	**9,861**			
– outflow		**(1,040,418)**	**(1,040,418)**	**–**
– inflow		**1,030,557**	**1,030,557**	**–**
	9,861	**(9,861)**	**(9,861)**	**–**
Total	**160,313,011**	**(166,513,372)**	**(146,873,792)**	**(19,639,580)**

* excludes financial derivative liabilities

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but within 5 years $
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	77,789,265	(77,789,265)	(77,789,265)	–
Loans and borrowings	61,445,819	(62,221,790)	(61,533,142)	(688,648)
	139,235,084	(140,011,055)	(139,322,407)	(688,648)
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled)	27,060			
– outflow		(1,829,678)	(1,829,678)	–
– inflow		1,802,618	1,802,618	–
	27,060	(27,060)	(27,060)	–
Total	139,262,144	(140,038,115)	(139,349,467)	(688,648)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but within 5 years $
1 January 2017				
Non-derivative financial liabilities				
Trade and other payables	71,627,584	(71,627,584)	(71,627,584)	–
Loans and borrowings	37,138,725	(37,942,810)	(36,477,628)	(1,465,182)
	108,766,309	(109,570,394)	(108,105,212)	(1,465,182)
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled)	(1,949)			
– outflow		(778,429)	(778,429)	–
– inflow		780,378	780,378	–
	(1,949)	1,949	1,949	–
Total	108,764,360	(109,568,445)	(108,103,263)	(1,465,182)
Company				
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	**6,104,528**	**(6,104,528)**	**(6,104,528)**	**–**
Loans and borrowings	**13,254**	**(14,820)**	**(14,820)**	**–**
Recognised financial liabilities	**6,117,782**	**(6,119,348)**	**(6,119,348)**	**–**
Intra-group financial guarantee	**–**	**(50,835,079)**	**(50,835,079)**	**–**
Total	**6,117,782**	**(56,954,427)**	**(56,954,427)**	**–**
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	6,018,155	(6,018,155)	(6,018,155)	–
Loans and borrowings	29,262	(32,652)	(17,832)	(14,820)
Recognised financial liabilities	6,047,417	(6,050,807)	(6,035,987)	(14,820)
Intra-group financial guarantee	–	(40,352,381)	(40,352,381)	–
Total	6,047,417	(46,403,188)	(46,388,368)	(14,820)
1 January 2017				
Non-derivative financial liabilities				
Trade and other payables	6,974,329	(6,974,329)	(6,974,329)	–
Loans and borrowings	45,270	(50,696)	(17,832)	(32,864)
Recognised financial liabilities	7,019,599	(7,025,025)	(6,992,161)	(32,864)
Intra-group financial guarantee	–	(40,745,114)	(40,745,114)	–
Total	7,019,599	(47,770,139)	(47,737,275)	(32,864)

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts.

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arise primarily from their loans and borrowings. The Group's policy is to maintain the bank borrowings to the minimum, and to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds in the Group are placed in deposits with banks and are subject to interest rate risk.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$	**$**	**$**	**$**	**$**	**$**
Fixed rate instruments						
Financial assets	**–**	–	4,000,000	**–**	–	4,000,000
Financial liabilities	**(2,000,204)**	(2,148,475)	(2,656,453)	**(13,254)**	(29,262)	(45,270)
	(2,000,204)	(2,148,475)	1,343,547	**(13,254)**	(29,262)	3,954,730
Variable rate instruments						
Financial assets	**56,814,786**	36,435,657	37,155,510	**30,782**	2,773,739	27,686
Financial liabilities	**(46,919,629)**	(20,375,386)	(12,763,530)	**–**	–	–
	9,895,157	16,060,271	24,391,980	**30,782**	2,773,739	27,686

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the profit or loss.

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss			
	Group		Company	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
2018				
Variable rate instruments	**98,952**	**(98,952)**	**308**	**(308)**
2017				
Variable rate instruments	160,603	(160,603)	27,737	(27,737)

Currency risk

The Group is exposed to foreign exchange risk on sales, purchases and investments, including inter-company sales and purchases and inter-company balances that are denominated in a currency other than the functional currency of the respective companies in the Group. The currency giving rise to this risk is primarily the United States dollar.

Foreign currencies received are kept in foreign currency bank accounts and are used to make foreign currency payments so as to minimise the foreign exchange exposure. The Group is also exposed to currency translation risk arising from its net investments in PRC. The Group's net investments in PRC are not hedged as currency positions in RMB is considered long-term in nature.

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YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

The Group's exposures to foreign currencies (before inter-company elimination) are as follows:

	2018 US Dollars ("USD") $	2018 Others $	2017 US Dollars ("USD") $	2017 Others $	1 Jan 2017 US Dollars ("USD") $	1 Jan 2017 Others $
Group						
Trade and other receivables	**3,600,209**	**–**	3,214,834	–	1,638,338	–
Cash and cash equivalents	**8,033,326**	**8,054**	6,254,822	–	1,641,130	3,048
Trade and other payables	**(768,559)**	**(33,238)**	(1,355,303)	(96,164)	(538,682)	(58,924)
Net statement of financial position exposure	**10,864,976**	**(25,184)**	8,114,353	(96,164)	2,740,786	(55,876)
Forward foreign exchange contracts	**1,030,557**	**–**	1,802,618	–	780,378	–
Net exposure	**11,895,533**	**(25,184)**	9,916,971	(96,164)	3,521,164	(55,876)
Company						
Trade and other receivables	**26,592**	**–**	21,528	–	20,375	–
Cash and cash equivalents	**30,782**	**–**	2,773,739	–	27,686	–
Trade and other payables	**(4,014)**	**(1,577)**	(3,057)	(19,197)	–	–
Net exposure	**53,360**	**(1,577)**	2,792,210	(19,197)	48,061	–

The contractual amounts of the derivative financial instruments and their corresponding gross positive and negative fair values at statement of financial position date are analysed below:

	Contract/ notional amount $	Positive fair values $	Negative fair values $
Group			
31 December 2018			
Forward exchange contracts used for hedging	**1,030,557**	**–**	**9,861**
31 December 2017			
Forward exchange contracts used for hedging	1,802,618	–	27,060
1 January 2017			
Forward exchange contracts used for hedging	780,378	1,949	–

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YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

Sensitivity analysis

A 5% (2017: 5%) strengthening of the above currencies against the functional currency of the respective subsidiaries of the Group and the Company at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Group		Company	
	Profit or loss $	Equity $	Profit or loss $	Equity $
31 December 2018				
USD	**543,249**	**51,528**	**2,668**	**–**
Others	**(1,259)**	**–**	**(79)**	**–**
31 December 2017				
USD	405,718	90,131	139,611	–
Others	(4,808)	–	(960)	–

A 5% (2017: 5%) weakening of the above currencies against the functional currencies of the respective Group entities would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2017.

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value		
	Note	At amortised cost $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Group								
31 December 2018								
Financial assets not measured at fair value								
Trade and other receivables*	9	**122,129,262**	**–**	**–**	**122,129,262**			
Cash and cash equivalents	10	**59,492,185**	**–**	**–**	**59,492,185**			
		181,621,447	**–**	**–**	**181,621,447**			

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount				Fair value		
	Note	At amortised cost $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Group								
31 December 2018								
Financial liabilities measured at fair value								
Financial derivatives liabilities	15	**–**	**(9,861)**	**–**	**(9,861)**	–	(9,861)	–
Financial liabilities not measured at fair value								
Loans and borrowings	14	**–**	**–**	**(87,168,869)**	**(87,168,869)**			
Trade and other payables#	15	**–**	**–**	**(73,134,281)**	**(73,134,281)**			
		–	**–**	**(160,303,150)**	**(160,303,150)**			

* *excludes financial derivative assets, prepayments and advances to suppliers*

\# *excludes financial derivative liabilities*

		Carrying amount				Fair value		
	Note	Loans and receivables $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Group								
31 December 2017								
Financial assets not measured at fair value								
Trade and other receivables*	9	129,564,856	–	–	129,564,856			
Cash and cash equivalents	10	40,022,193	–	–	40,022,193			
		169,587,049	–	–	169,587,049			
Financial liabilities measured at fair value								
Financial derivatives liabilities	15	–	(27,060)	–	(27,060)	–	(27,060)	–
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(61,445,819)	(61,445,819)			
Trade and other payables#	15	–	–	(77,789,265)	(77,789,265)			
		–	–	(139,235,084)	(139,235,084)			

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27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount				Fair value		
	Note	Loans and receivables $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Group								
1 January 2017								
Financial assets measured at fair value								
Financial derivatives assets	9	–	1,949	–	1,949	–	1,949	–
Financial assets not measured at fair value								
Trade and other receivables*	9	96,114,395	–	–	96,114,395			
Cash and cash equivalents	10	45,447,739	–	–	45,447,739			
		141,562,134	–	–	141,562,134			
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(37,138,725)	(37,138,725)			
Trade and other payables#	15	–	–	(71,627,584)	(71,627,584)			
		–	–	(108,766,309)	(108,766,309)			

* *excludes financial derivative assets, prepayments and advances to suppliers*

\# *excludes financial derivative liabilities*

		Carrying amount				Fair value		
	Note	At amortised cost $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Company								
31 December 2018								
Financial assets not measured at fair value								
Trade and other receivables*	9	**7,467,065**	**–**	**–**	**7,467,065**			
Cash and cash equivalents	10	**1,292,107**	**–**	**–**	**1,292,107**			
		8,759,172	**–**	**–**	**8,759,172**			
Financial liabilities not measured at fair value								
Loans and borrowings	14	**–**	**–**	**(13,254)**	**(13,254)**			
Trade and other payables	15	**–**	**–**	**(6,104,528)**	**(6,104,528)**			
		–	**–**	**(6,117,782)**	**(6,117,782)**			

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YEAR ENDED 31 DECEMBER 2018

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount				Fair value		
	Note	At amortised cost $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Company								
31 December 2017								
Financial assets not measured at fair value								
Trade and other receivables*	9	4,867,741	–	–	4,867,741			
Cash and cash equivalents	10	4,499,613	–	–	4,499,613			
		9,367,354	–	–	9,367,354			
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(29,262)	(29,262)			
Trade and other payables	15	–	–	(6,018,155)	(6,018,155)			
		–	–	(6,047,417)	(6,047,417)			
1 January 2017								
Financial assets not measured at fair value								
Trade and other receivables*	9	3,464,714	–	–	3,464,714			
Cash and cash equivalents	10	6,104,185	–	–	6,104,185			
		9,568,899	–	–	9,568,899			
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(45,270)	(45,270)			
Trade and other payables	15	–	–	(6,974,329)	(6,974,329)			
		–	–	(7,019,599)	(7,019,599)			

* *excludes financial derivative assets, prepayments and advances to suppliers*

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used, where applicable.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.

During the financial years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2.

28 CAPITAL MANAGEMENT

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

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

As disclosed in note 12, subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2018 and 2017.

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28 CAPITAL MANAGEMENT (CONTINUED)

The Group monitors capital using net debt to total capital ratio. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the hedging reserve and the above mentioned restricted statutory reserve funds.

	Group 2018 $	Group 2017 $
Trade and other payables*	**73,134,281**	77,789,265
Loans and borrowings	**87,168,869**	61,445,819
Less: Cash and cash equivalents	**(59,492,185)**	(40,022,193)
Net debt	**100,810,965**	99,212,891
Equity attributable to owners of the Company	**128,645,953**	117,105,799
Less: Statutory reserve fund	**(11,710,536)**	(10,539,218)
Less: Hedging reserve	**9,861**	27,060
Total capital	**116,945,278**	106,593,641
Net debt to total capital ratio	**0.86**	0.93

* *excludes financial derivative liabilities*

29 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the information relating to the Group's subsidiaries with material non-controlling interest ("NCI"), based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in Group's accounting policies.

	Material NCI in PRC $	Other individually immaterial NCI in PRC $	Intra-group elimination $	Total $
31 December 2018				
Revenue	73,238,799			
Profit	2,882,366			
Other comprehensive income	(705,982)			
Total comprehensive income	2,176,384			
Attributable to NCI:				
– Profit	864,710	927,135	–	1,791,845
– Other comprehensive income	(211,795)	(85,521)	–	(297,316)
– Total comprehensive income	652,915	841,614	–	1,494,529
Non-current assets	39,529,539			
Current assets	38,790,648			
Non-current liabilities	(18,733,279)			
Current liabilities	(35,703,996)			
Net assets	23,882,912			
Net assets attributable to NCI	7,164,874	2,963,451	–	10,128,325
Cash flows from operating activities	11,011,062			
Cash flows used in investing activities	(22,906,333)			
Cash flows used in financing activities (dividend to NCI: note 23)	24,388,446			
Net increase in cash and cash equivalents	12,493,175			

NOTES TO THE FINANCIAL STATEMENTS

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29 NON-CONTROLLING INTERESTS IN SUBSIDIARIES (CONTINUED)

	Material NCI in PRC $	Other individually immaterial NCI in PRC $	Intra-group elimination $	Total $
31 December 2017				
Revenue	75,337,528			
Profit	6,912,502			
Other comprehensive income	(251,030)			
Total comprehensive income	6,661,472			
Attributable to NCI:				
– Profit	2,073,751	226,440	–	2,300,191
– Other comprehensive income	(75,309)	(36,398)	–	(111,707)
– **Total comprehensive income**	1,998,442	190,042	–	2,188,484
Non-current assets	19,335,461			
Current assets	44,041,696			
Non-current liabilities	(496,505)			
Current liabilities	(40,389,156)			
Net assets	22,491,496			
Net assets attributable to NCI	6,747,449	2,121,836	–	8,869,285
Cash flows from operating activities	4,037,122			
Cash flows used in investing activities	(8,220,262)			
Cash flows used in financing activities (dividend to NCI: note 23)	1,848,430			
Net decrease in cash and cash equivalents	(2,334,710)			
1 January 2017				
Revenue	52,756,696			
Profit	5,512,619			
Other comprehensive income	(504,197)			
Total comprehensive income	5,008,422			
Attributable to NCI:				
– Profit	1,653,786	(194,236)	–	1,459,550
– Other comprehensive income	(151,259)	(123,345)	–	(274,604)
– **Total comprehensive income**	1,502,527	(317,581)	–	1,184,946
Non-current assets	12,714,438			
Current assets	37,180,923			
Non-current liabilities	(1,208,527)			
Current liabilities	(32,856,814)			
Net assets	15,830,020			
Net assets attributable to NCI	4,749,006	2,160,216	–	6,909,222
Cash flows from operating activities	11,968,166			
Cash flows used in investing activities	(2,376,027)			
Cash flows used in financing activities (dividend to NCI: note 23)	(6,442,372)			
Net increase in cash and cash equivalents	3,149,767			

NOTES TO THE FINANCIAL STATEMENTS

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30 SEGMENT INFORMATION

The Group has two reportable segments which are geographical segments namely Singapore and PRC. These geographical segments are managed separately because they require different marketing strategies and bear different financial and business risks.

Geographical segments are defined based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. These operating businesses are organised and managed separately with each segment representing a strategic business unit that serves different markets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax and deferred assets and liabilities. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

	Singapore $	PRC $	Group $
31 December 2018			
Revenue:			
Sales to external customers	45,043,381	288,282,107	333,325,488
Results from operating activities	(2,301,696)	29,908,612	27,606,916
Finance costs	(63,628)	(1,630,237)	(1,693,865)
Tax expense			(4,783,588)
Net profit for the year			21,129,463
Segment assets	27,258,739	272,138,503	299,397,242
Unallocated assets			3,646,682
Total assets			303,043,924
Segment liabilities	10,108,131	151,838,919	161,947,050
Unallocated liabilities			2,322,597
Total liabilities			164,269,647
Capital expenditure	2,977,241	27,639,968	30,617,209
Depreciation of property, plant and equipment	1,421,496	5,519,687	6,941,183
Impairment loss on property, plant and equipment	–	737,721	737,721
Amortisation of intangible assets	3,000	–	3,000

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30 SEGMENT INFORMATION (CONTINUED)

	Singapore $	PRC $	Group $
31 December 2017			
Revenue:			
Sales to external customers	39,946,463	263,017,002	302,963,465
Results from operating activities	(1,506,853)	30,240,511	28,733,658
Finance costs	(69,851)	(1,187,365)	(1,257,216)
Tax expense			(4,827,389)
Net profit for the year			22,649,053
Segment assets	28,710,109	237,370,782	266,080,891
Unallocated assets			3,267,285
Total assets			269,348,176
Segment liabilities	10,830,518	129,785,503	140,616,021
Unallocated liabilities			2,757,071
Total liabilities			143,373,092
Capital expenditure	1,867,274	14,667,999	16,535,273
Depreciation of property, plant and equipment	1,160,466	5,291,146	6,451,612
Impairment loss on property, plant and equipment	–	195,060	195,060
Amortisation of intangible assets	3,000	–	3,000

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

NOTES TO THE FINANCIAL STATEMENTS

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31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016; and
* requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;

The application of the above standards and interpretations do not have material effect on the financial statements.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) have affected the Company's financial position, financial performance and cash flows is set out under the summary of quantitative impact and the accompanying notes.

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31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 on the Group's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss, other comprehensive income, statement of cash flows for the year ended 31 December 2017 and Company's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018 arising on the transition to SFRS(I).

Reconciliation of the Group's equity
Consolidated statement of financial position

	Note	31 December 2017 FRS framework $	SFRS(I) 1 $	SFRS(I) framework $	1 January 2018 SFRS(I) framework $
Assets					
Property, plant and equipment	4	65,934,741	–	65,934,741	65,934,741
Intangible assets	5	1,140,783	–	1,140,783	1,140,783
Investment in subsidiaries	6	–	–	–	–
Deferred tax assets	7	3,267,285	–	3,267,285	3,267,285
Non-current assets		70,342,809	–	70,342,809	70,342,809
Inventories	8	25,853,356	–	25,853,356	25,853,356
Trade and other receivables, including derivatives	9	133,129,818	–	133,129,818	133,129,818
Cash and cash equivalents	10	40,022,193	–	40,022,193	40,022,193
Current assets		199,005,367	–	199,005,367	199,005,367
Total assets		269,348,176	–	269,348,176	269,348,176
Equity					
Share capital	11	31,440,000	–	31,440,000	31,440,000
Retained earnings		70,401,024	2,645,475	73,046,499	73,046,499
Other reserves	12	15,264,775	(2,645,475)	12,619,300	12,619,300
Equity attributable to owners of the Company		117,105,799	–	117,105,799	117,105,799
Non-controlling interests	29	8,869,285	–	8,869,285	8,869,285
Total equity		125,975,084	–	125,975,084	125,975,084
Liabilities					
Deferred income	13	1,217,169	–	1,217,169	1,217,169
Loans and borrowings	14	221,355	–	221,355	221,355
Deferred tax liabilities	7	1,531,712	–	1,531,712	1,531,712
Non-current liabilities		2,970,236	–	2,970,236	2,970,236
Deferred income	13	136,708	–	136,708	136,708
Loans and borrowings	14	61,224,464	–	61,224,464	61,224,464
Trade and other payables, including derivatives	15	77,816,325	–	77,816,325	77,816,325
Current tax payable		1,225,359	–	1,225,359	1,225,359
Current liabilities		140,402,856	–	140,402,856	140,402,856
Total liabilities		143,373,092	–	143,373,092	143,373,092
Total equity and liabilities		269,348,176	–	269,348,176	269,348,176

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31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity
Consolidated statement of financial position (Continued)

	Note	1 January 2017 FRS framework $	SFRS(I) 1 $	SFRS(I) framework $
Assets				
Property, plant and equipment	4	57,285,468	–	57,285,468
Intangible assets	5	1,162,604	–	1,162,604
Investment in subsidiaries	6	–	–	–
Deferred tax assets	7	3,128,315	–	3,128,315
Non-current assets		61,576,387	–	61,576,387
Inventories	8	19,090,881	–	19,090,881
Trade and other receivables, including derivatives	9	98,943,492	–	98,943,492
Cash and cash equivalents	10	45,447,739	–	45,447,739
Current assets		163,482,112	–	163,482,112
Total assets		225,058,499	–	225,058,499
Equity				
Share capital	11	31,440,000	–	31,440,000
Retained earnings		59,192,230	2,645,475	61,837,705
Other reserves	12	13,900,269	(2,645,475)	11,254,794
Equity attributable to owners of the Company		104,532,499	–	104,532,499
Non-controlling interests	29	6,909,222	–	6,909,222
Total equity		111,441,721	–	111,441,721
Liabilities				
Deferred income	13	1,175,894	–	1,175,894
Loans and borrowings	14	1,340,356	–	1,340,356
Deferred tax liabilities	7	1,666,989	–	1,666,989
Non-current liabilities		4,183,239	–	4,183,239
Deferred income	13	119,205	–	119,205
Loans and borrowings	14	35,798,369	–	35,798,369
Trade and other payables, including derivatives	15	71,627,584	–	71,627,584
Current tax payable		1,888,381	–	1,888,381
Current liabilities		109,433,539	–	109,433,539
Total liabilities		113,616,778	–	113,616,778
Total equity and liabilities		225,058,499	–	225,058,499

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $2,645,475 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR decreased by $2,645,475 and retained earnings by the same amount as at 31 December 2017.

B. SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Based on the Group’s assessment, the adoption of SFRS(I) 15 did not have any significant impact on the financial statements. No significant adjustments were made to the financial statements upon adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

Based on the Group's assessment, the adoption of SFRS(I) 9 did not have any significant impact on the financial statements. No significant adjustments were made to the financial statements upon adoption of SFRS(I) 9.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instruments as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.7.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to cash and cash equivalents, financial assets measured at amortised cost and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

Additional information about how the Group and the Company measure the allowance for impairment is described in note 3.8.

31 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

C. SFRS(I) 9 (Continued)

(iii) Hedging accounting

The Group adopted the new general hedge accounting model in SFRS(I) 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to inventory purchases. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under FRS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in profit or loss. However, under SFRS(I) 9 the forward points are separately accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under FRS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were classified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. However, under SFRS(9), for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The same approaches also apply under SFRS(I) 9 to the amounts accumulated in the costs of hedging reserve.

For an explanation of how the Group applies hedge accounting under SFRS(I) 9, see note 3.7(vi).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

32 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I)1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I)1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

32 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16 (Continued)

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in note 3.9. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU assets of $4,648,140, an increase in lease liabilities of $6,395,030, a decrease in provisions of $725,402 and a decrease in retained earnings of $1,021,488. As at 1 January 2019, the Company expects an increase in ROU asset of $4,165,218, an increase in lease liabilities of $5,912,108, a decrease in provisions of $725,402 and a decrease in retained earnings of $1,021,488.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group’s and the Company’s finance leases.

LAND & BUILDINGS

AS AT 31 DECEMBER 2018

CHINA, SUZHOU OPERATIONS

Location	:	Jiangsu Province, Suzhou City, Xiangcheng District, Wanting Town, Wendu Road, No. 88, The People's Republic of China 215155
Usage	:	Factory premises, office building, dormitory
Land area	:	58,798.6 square metres
Tenure	:	Leasehold – 50 years lease of 58,798.6 square metres expiring on 4 September 2047
Ownership	:	100% owned by Tat Seng Packaging (Suzhou) Co., Ltd.
Net carrying amount	:	RMB16.8 million (approximately S$3.3 million) as at 31 December 2018

CHINA, HEFEI OPERATIONS

Location	:	Anhui Province, Hefei Eco-Tech Development Zone, Zipeng Road, No. 105, The People's Republic of China 230601
Usage	:	Factory premises, office building
Land area	:	49,400 square metres
Tenure	:	Leasehold – 48 years lease of 35,800 square metres expiring in August 2053 – 49 years 8 months lease of 13,600 square metres expiring on 8 December 2056
Ownership	:	100% owned by Hefei Dansun Packaging Co., Ltd.
Net carrying amount	:	RMB22.2 million (approximately to S$4.4 million) as at 31 December 2018

CHINA, NANTONG TAT SENG OPERATIONS

Location	:	Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, Ting Nan Heng Road, The People's Republic of China 226301
Usage	:	Factory premises, office building
Land area	:	26,586 square metres
Tenure	:	Leasehold – 50 years lease of 26,586 square metres expiring on 18 March 2060
Ownership	:	100% owned by Nantong Tat Seng Packaging Co., Ltd.
Net carrying amount	:	RMB18.5 million (approximately to S$3.7 million) as at 31 December 2018

Location	:	Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, The People's Republic of China*
Usage	:	Factory premises, office building
Land area	:	74,115 square metres
Tenure	:	Leasehold – 50 years lease of 74,115 square metres expiring on 11 March 2068
Ownership	:	100% owned by Nantong Tat Seng Packaging Co., Ltd.
Net carrying amount	:	RMB78.2 million (approximately to S$15.5 million) as at 31 December 2018

CHINA, TIANJIN OPERATIONS

Location	:	Tianjin City, Airport Economic Zone, Jingyi Road, No. 257, The People's Republic of China 300308
Usage	:	Factory premises, office building
Land area	:	33,233.3 square metres
Tenure	:	Leasehold – 50 years lease of 33,233.3 square metres expiring on 3 April 2062
Ownership	:	100% owned by Tianjin Dansun Packaging Co., Ltd.
Net carrying amount	:	RMB43.7 million (approximately to S$8.7 million) as at 31 December 2018

* The address is still pending of finalization from the relevant authority

资产负债表

于2018年12月31日

	附注	集团 2018 $	集团 2017 $	集团 1 Jan 2017 $	公司 2018 $	公司 2017 $	公司 1 Jan 2017 $
非流动资产							
固定资产	4	**86,331,643**	65,934,741	57,285,468	**2,214,141**	2,607,287	2,995,562
无形资产	5	**1,105,681**	1,140,783	1,162,604	**12,000**	15,000	18,000
投资子公司	6	**–**	–	–	**28,506,540**	28,036,965	28,186,121
递延所得税资产	7	**3,646,682**	3,267,285	3,128,315	**2,374,887**	2,145,159	1,705,373
		91,084,006	70,342,809	61,576,387	**33,107,568**	32,804,411	32,905,056
流动资产							
存货	8	**26,151,315**	25,853,356	19,090,881	**101,386**	119,971	61,890
应收账款及其他应收款	9	**126,316,418**	133,129,818	98,943,492	**7,485,662**	4,888,821	3,545,722
现金和现金等同物	10	**59,492,185**	40,022,193	45,447,739	**1,292,107**	4,499,613	6,104,185
		211,959,918	199,005,367	163,482,112	**8,879,155**	9,508,405	9,711,797
资产总计		**303,043,924**	269,348,176	225,058,499	**41,986,723**	42,312,816	42,616,853
股东权益							
股本	11	**31,440,000**	31,440,000	31,440,000	**31,440,000**	31,440,000	31,440,000
未分配利润		**86,496,989**	73,046,499	61,837,705	**4,396,855**	4,825,399	4,157,254
储备金	12	**10,708,964**	12,619,300	11,254,794	**–**	–	–
		128,645,953	117,105,799	104,532,499	**35,836,855**	36,265,399	35,597,254
少数股东权益	29	**10,128,324**	8,869,285	6,909,222	**–**	–	–
股东权益合计		**138,774,277**	125,975,084	111,441,721	**35,836,855**	36,265,399	35,597,254
非流动负债							
递延收入	13	**1,433,462**	1,217,169	1,175,894	**27,222**	–	–
长期借款	14	**18,491,181**	221,355	1,340,356	**–**	13,254	29,262
递延所得税负债	7	**1,529,900**	1,531,712	1,666,989	**–**	–	–
		21,454,543	2,970,236	4,183,239	**27,222**	13,254	29,262
流动负债							
递延收入	13	**200,577**	136,708	119,205	**4,864**	–	–
短期借款	14	**68,677,688**	61,224,464	35,798,369	**13,254**	16,008	16,008
应付账款及其他应付款	15	**73,144,142**	77,816,325	71,627,584	**6,104,528**	6,018,155	6,974,329
应交所得税		**792,697**	1,225,359	1,888,381	**–**	–	–
		142,815,104	140,402,856	109,433,539	**6,122,646**	6,034,163	6,990,337
负债合计		**164,269,647**	143,373,092	113,616,778	**6,149,868**	6,047,417	7,019,599
负债及股东权益总计		**303,043,924**	269,348,176	225,058,499	**41,986,723**	42,312,816	42,616,853

合并损益表

至2018年12月31日止年度

	附注	2018 $	2017 $
销售收入	16	**333,325,488**	302,963,465
销售成本		**(272,810,484)**	(241,512,886)
毛利		**60,515,004**	61,450,579
其他营业收入	17	**2,994,794**	1,129,602
销售费用		**(15,494,832)**	(14,522,380)
管理费用		**(19,311,285)**	(18,495,572)
其他营业费用	18	**(1,096,765)**	(828,571)
营业活动之盈利		**27,606,916**	28,733,658
财务费用	19	**(1,693,865)**	(1,257,216)
税前盈利	20	**25,913,051**	27,476,442
所得税费用	21	**(4,783,588)**	(4,827,389)
本期盈利		**21,129,463**	22,649,053
可归属			
母公司股东		**19,337,618**	20,348,862
少数股东权益		**1,791,845**	2,300,191
本期盈利		**21,129,463**	22,649,053
每股收益			
每股基本与稀释收益(分)	22	**12.30**	12.94

SHAREHOLDING STATISTICS

AS AT 13 MARCH 2019

Number of Issued and Fully Paid Shares	:	157,200,000
Class of Shares	:	Ordinary Share with equal voting rights
Treasury Shares	:	NIL
Issued and Fully Paid Share Capital	:	S$31,440,000

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2019

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD DIRECT INTEREST	DEEMED INTEREST	SHAREHOLDING PERCENTAGE %
Hanwell Holdings Limited	100,529,000	–	63.95
Loh See Moon	23,580,000	–	15.00
Violet Profit Holdings Limited[1]	–	100,529,000	63.95
Ku Yun-Sen[1]	–	100,529,000	63.95

Note:

(1) Violet Profit Holdings Limited and Ku Yun-Sen are deemed to be interested in 100,529,000 shares held by Hanwell Holdings Limited in the capital of the Company, by virtue of Section 7(4A) of the Companies Act, Chapter. 50.

DIRECTORS' SHAREHOLDING AS AT 21 JANUARY 2019

DIRECTORS	HOLDINGS IN THE NAME OF DIRECTOR OR IN WHICH DIRECTOR HAS A DIRECT INTEREST	HOLDINGS IN WHICH THE DIRECTOR IS DEEMED TO HAVE AN INTEREST
Loh See Moon	23,580,000	–
Cheong Poh Hua	524,000	260,000*

* Cheong Poh Hua is deemed to be interested in 260,000 shares held by her spouse, Ee Heng Huat in the capital of the Company.

ANALYSIS OF SHAREHOLDINGS AS AT 13 MARCH 2019

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.18	4	0.00
100 – 1,000	341	30.75	320,695	0.21
1,001 – 10,000	422	38.05	2,300,800	1.46
10,001 – 1,000,000	338	30.48	23,658,001	15.05
1,000,001 AND ABOVE	6	0.54	130,920,500	83.28
	1,109	100.00	157,200,000	100.00

SHAREHOLDING STATISTICS

AS AT 13 MARCH 2019

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 13 March 2019, 20.55% of the issued ordinary shares of the Company is held by the public. Rule 723 of the Listing Manual issued by the SGX-ST is therefore complied with.

MAJOR SHAREHOLDERS LIST – TOP 21 AS AT 13 MARCH 2019

NO.	NAME	NO. OF SHARES HELD	%
1	HANWELL HOLDINGS LIMITED	100,529,000	63.95
2	LOH SEE MOON	23,580,000	15.00
3	PHILLIP SECURITIES PTE LTD	2,647,200	1.68
4	DBS NOMINEES PTE LTD	1,833,200	1.17
5	RAFFLES NOMINEES (PTE) LIMITED	1,231,100	0.78
6	NG HOCK KON	1,100,000	0.70
7	ABN AMRO CLEARING BANK N.V.	957,700	0.61
8	CITIBANK NOMINEES SINGAPORE PTE LTD	841,300	0.54
9	FSK INVESTMENT HOLDING PTE. LTD.	800,400	0.51
10	KONG KOK CHOY	800,000	0.51
11	SKMC PRIVATE LTD	800,000	0.51
12	CHEE KWAI FUN (ZHU GUIFEN)	600,000	0.38
13	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	594,900	0.38
14	CHEONG POH HUA	524,000	0.33
15	TANG KAY HENG	464,000	0.30
16	OCBC SECURITIES PRIVATE LTD	415,100	0.26
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	396,700	0.25
18	YEO KIONG YONG (YANG GONGXIONG)	380,000	0.24
19	HOLT ASIA INVESTMENT PTE LTD	315,400	0.20
20	NG KWONG CHONG OR LIU OI FUI IVY	300,000	0.19
21	WU TIAK PONG	300,000	0.19
		139,410,000	88.68

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tat Seng Packaging Group Ltd (the "**Company**") will be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 26 April 2019 at 2.00 p.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a final dividend (tax exempt one-tier) of S$0.02 per ordinary share ("**Final Ordinary Dividend**") for the financial year ended 31 December 2018.
(Resolution 2)

3. To re-elect Mr Lien Kait Long as a Director of the Company, who is retiring pursuant to Regulation 91 of the Company's Constitution.
(Resolution 3)
[See Explanatory Note (1)]

4. To note the retirement of Mr Lee Po On, Mark, as a Director of the Company, who is retiring pursuant to Regulation 91 of the Company's Constitution.

5. To re-elect the following Directors of the Company, who are retiring pursuant to Regulation 97 of the Company's Constitution:

   (i) Mr Kong WeiLi **(Resolution 4)**
   (ii) Mr Siu Wai Kam **(Resolution 5)**
   (iii) Mr Goh Yang Jun, Jasper **(Resolution 6)**

   [See Explanatory Note (2)]

6. To approve the payment of Directors' fees of S$215,670 for the financial year ending 31 December 2019 to be paid quarterly in arrears (2018: S$204,000).

   [See Explanatory Note (3)] **(Resolution 7)**

7. To re-appoint KPMG LLP as Auditors and to authorise the Directors of the Company to fix their remuneration.
(Resolution 8)

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF
ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution with or without amendments as Ordinary Resolution:–

9. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

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

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

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

provided that:–

(1) the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro-rata* basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

(ii) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF
ANNUAL GENERAL MEETING

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

(4) unless revoked or varied by the Company in general meeting, the Share Issued Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier.

[See Explanatory Note (4)] **(Resolution 9)**

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore

11 April 2019

Explanatory Notes:–

(1) **Resolution 3** – Mr Lien Kait Long will, upon re-election as the Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and Risk Management Committee and member of the Nominating Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Statement from page 42 to page 48 in the Annual Report 2018 for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(2) **Resolutions 4, 5 and 6** – Mr Kong WeiLi will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Siu Wai Kam will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Goh Yang Jun, Jasper will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Statement from page 42 to page 48 in the Annual Report 2018 for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(3) **Resolution 7** is to allow the Company to pay Directors' fees to all Non-Executive and Independent Directors in arrears on a quarterly basis for the financial year ending 31 December 2019. In the event that the amount of the Directors' fee proposed is insufficient, approval will be sought at the next year's Annual General Meeting for payments to meet the shortfall.

(4) **Resolution 9**, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date of next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a *pro-rata* basis to existing shareholders of the Company.

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

NOTICE OF
ANNUAL GENERAL MEETING

Notes:–

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

(2) Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, he/she shall specify the proportion of his/her Shareholding to be represented by each proxy in the instrument appointing the proxies.

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

(4) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.

(5) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, **M & C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902, not less than seventy-two (72) hours before the time appointed for holding the AGM**.

* A Relevant Intermediary is:–

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

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

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

Personal Data Privacy

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

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE FOR FINAL ORDINARY DIVIDEND

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders of Tat Seng Packaging Group Ltd (the "**Company**") for the Final Ordinary Dividend being obtained at the Annual General Meeting ("**AGM**"), the Register of Members and Transfer Books of the Company will be closed on 10 May 2019 for the purpose of determining the shareholders' entitlements to the proposed Final Ordinary Dividend.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, of 112 Robinson Road #05-01 Singapore 068902 up to 5.00 p.m. on 9 May 2019 will be registered to determine members' entitlements to the said Final Ordinary Dividend. Members whose Securities Account with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 9 May 2019 will be entitled to the proposed Final Ordinary Dividend.

The proposed payment of the Final Ordinary Dividend, if approved by the shareholders at the AGM will be paid on 24 May 2019.

TAT SENG PACKAGING GROUP LTD
Company Registration No. 197702806M
(Incorporated in the Republic of Singapore)

PROXY FORM

(PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

IMPORTANT:

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

I/We*, ______________________________ NRIC/Passport/Co. Reg.* No.: ____________________

of ____ (address)
being a member/members of Tat Seng Packaging Group Ltd (the "**Company**"), hereby appoint:–

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

and/or*

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

or failing him/her/them*, the Chairman of the Meeting, as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 26 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 Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion. **If no person is named in the above boxes, the Chairman of the AGM shall be my/our* proxy to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder, for me/us* and on my/our* behalf at the AGM and at any adjournment thereof.**

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

No.	ORDINARY RESOLUTIONS	No. of votes "For"	No. of votes "Against"
Ordinary Business			
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report thereon		
2.	Declaration of Final Ordinary Dividend		
3.	Re-election of Mr Lien Kait Long as Director		
4.	Re-election of Mr Kong WeiLi as Director		
5.	Re-election of Mr Siu Wai Kam as Director		
6.	Re-election of Mr Goh Yang Jun, Jasper as Director		
7.	Approval of payment of Directors' fees amounting to S$215,670 for the financial year ending 31 December 2019 to be paid quarterly in arrears		
8.	Re-appointment of KPMG LLP as Auditors and authorisation for Directors to fix their remuneration		
Special Business			
9.	Authority to issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST		

Dated this __________ day of ____________________ 2019

Total No. of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder
* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE SIDE

Notes:–

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

(2) A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

(4) Subject to note 8, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

(5) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, **M & C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902, not less than seventy-two (72) hours before the time appointed for the AGM**.

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

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

(8) An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investors**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

(9) Unless a lesser number of shares is specified by the member on the form itself, the instrument appointing a proxy/proxies shall be deemed to relate to all the shares held by the member in the account for which this form was issued.

*A Relevant Intermediary is:–

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

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

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2019.

General

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	DESIGNATION
Dr Allan Yap	Executive Chairman
Dr John Chen Seow Phun	Deputy Chairman, Non-Executive and Independent Director
Mr Loh See Moon	Managing Director/Chief Executive Officer
Dr Tang Cheuk Chee	Executive Director
Madam Cheong Poh Hua	Executive Director
Mr Lien Kait Long	Non-Executive and Lead Independent Director
Mr Lee Po On Mark	Non-Executive and Independent Director
Mr Kong WeiLi	Non-Executive and Independent Director
Mr Siu Wai Kam	Non-Executive and Independent Director
Mr Goh Yang Jun, Jasper	Non-Executive and Independent Director

COMPANY SECRETARY
Mr Chew Kok Liang

AUDIT COMMITTEE
Mr Lien Kait Long (Chairman)
Dr John Chen Seow Phun
Mr Lee Po On Mark
Mr Kong WeiLi
Mr Siu Wai Kam
Mr Goh Yang Jun, Jasper

REMUNERATION COMMITTEE
Dr John Chen Seow Phun (Chairman)
Mr Lien Kait Long
Mr Lee Po On Mark
Mr Kong WeiLi
Mr Siu Wai Kam
Mr Goh Yang Jun, Jasper

NOMINATING COMMITTEE
Dr John Chen Seow Phun (Chairman)
Mr Lien Kait Long
Mr Lee Po On Mark
Mr Kong WeiLi
Mr Siu Wai Kam
Mr Goh Yang Jun, Jasper

RISK MANAGEMENT COMMITTEE
Mr Lien Kait Long (Chairman)
Mr Loh See Moon
Madam Cheong Poh Hua
Mr Kong WeiLi
Mr Siu Wai Kam
Mr Goh Yang Jun, Jasper

REGISTERED OFFICE
28 Senoko Drive, Singapore 758214
Tel : (65) 6891 9030
Fax : (65) 6758 0668
Email: admin@tspg.sg
Website: www.tspg.sg
Company Registration Number: 197702806M

SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel : (65) 6227 6660
Fax: (65) 6225 1452

AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

(Engagement Partner since financial year ended 31 December 2017: Mr Yap Wee Kee)

PRINCIPAL BANKERS
Agricultural Bank of China Limited
Bank of China Limited
Bank of Jiangsu Co., Ltd.
Bank of Nanjing Corporation Limited
China Citic Bank Corporation Limited
China Construction Bank Corporation
DBS Bank Ltd
Huishang Bank Corporation Limited
Industrial Bank Co., Ltd.
KBC Bank N.V.
Shanghai Pudong Development Bank Co., Ltd.
United Overseas Bank Limited

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E-mail : admin@tspg.sg

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E-mail : admin@tspg.sg

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电话 : (86) 0512-6538 0538
传真 : (86) 0512-6538 9342
电邮 : salesa@tspg.com.cn

Hefei Dansun Packaging Co., Ltd.
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电话 : (86) 0551-6381 9166
传真 : (86) 0551-6381 0123
电邮 : lily@hfds.com.cn

Nantong Hengcheng Paper Industry Co., Ltd.
南通恒成纸业有限公司
地址 : 江苏省如皋市石庄镇新生港综合工业园区, 邮编 226531
电话 : (86) 0513-8653 8888
传真 : (86) 0513-8653 3999-01
电邮 : nantongdacheng2011@163.com

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传真 : (86) 0513-8653 3999-01
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电话 : (86) 022-5809 7080
传真 : (86) 022-5809 7048
电邮 : dansun@tjdspg.com