85th

ANNIVERSARY
ESTABLISHED 1933

TYE SOON LIMITED
ANNUAL REPORT 2018

GLOBAL BRANDS
OUR STRENGTH

TOYO GARRETT
IWIS
NWB
NABCO SEIKEN TEXTAR
HKT
KONGSBERG
HITACHI NKN
TOKICO
NILES BOSCH AISIN
BORGWARNER
ISUZU
WABCO
HENGST NISSAN
GMB
AISAN
JFBK
BMW BENDIX
ATE
CHAMPION
ULO
FIAMM
VDO
KNORR BREMSE WAHLER
MRK
DAIDO BERU
555
MAZDA
ERNST
JKC
MATSUBA
OPTIBELT GEMO MANDO
VICTOR REINZ FBL
EXEDY KYOSAN LEMFORDER
LUK INA FAG
SANGSIN SACHS ZF
SALERI TOYOTA
AUDI SANKEI MINTEX
KIA
ELRING
WIX
MITSUBISHI MANN FILTER
DBEST
TBK PIERBURG
STABILUS MERCEDES BENZ
VW
RAVENOL
DELPHI CONTITECH BILSTEIN
HELLA NISSHINBO
GK VALEO
NOZUMI
BEHR
MAHLE
IZUMI
FEBI

TYE SOON LIMITED

Established in 1933, the Group is the most prominent independent automotive parts distributor in Southeast Asia.

Partnering its principals mostly from Europe, Japan and Korea, the Group has one of the largest portfolio of top-tier global brands of automotive parts. The Group's main markets in Asia Pacific are currently served by operations in Singapore, Malaysia, Thailand, Indonesia, Hong Kong/China, South Korea and Australia.

CONTENTS

Corporate Information

Board Of Directors
Hee Theng Fong
(Non-executive Chairman, appointed on 27 April 2018)
Ong Hock Siang @ Ong Huat Seong
Ong Huat Kee
Ong Huat Yew Peter
Ong Huat Choo
David Chong Tek Yew
Ong Lay May Apple
Ong Eng Chian Kelvin
Ong Eng Waey Abel
Ong Eng Mien Malcolm
Lim Lee Meng
Tham Khuan Heng
Chen Timothy Teck Leng @ Chen Teck Leng

Enterprise Risk Management Committee
Ong Huat Yew Peter (Chairman)
Ong Hock Siang @ Ong Huat Seong
David Chong Tek Yew
Ong Eng Chian Kelvin
Ong Huat Kee
Ong Huat Choo
Ong Lay May Apple

Audit Committee
Tham Khuan Heng (Chairperson)
Hee Theng Fong
Lim Lee Meng
Chen Timothy Teck Leng @ Chen Teck Leng

Nominating Committee
Chen Timothy Teck Leng @ Chen Teck Leng (Chairman, appointed on 17 September 2018)
Hee Theng Fong
Lim Lee Meng
Tham Khuan Heng
Ong Hock Siang @ Ong Huat Seong
Ong Huat Kee

Remuneration Committee
Lim Lee Meng (Chairman)
Hee Theng Fong
Tham Khuan Heng
Chen Timothy Teck Leng @ Chen Teck Leng

Company Secretary
Evelyn Wee Kim Lin

Registered Office
3C Toh Guan Road East #01-03
Singapore 608832
Tel: 6567 8601
Fax: 6567 8884

Registrar And Share Transfer Office
M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: 6227 6660

Auditors
KPMG LLP
Public Accountants and Chartered Accountants Singapore
Partner-in-Charge
Shelley Chan Hoi Yi
(Appointed in financial year 2018)

Main Bankers
DBS Bank
KBC Bank N.V.
Maybank
United Overseas Bank

Corporate Group

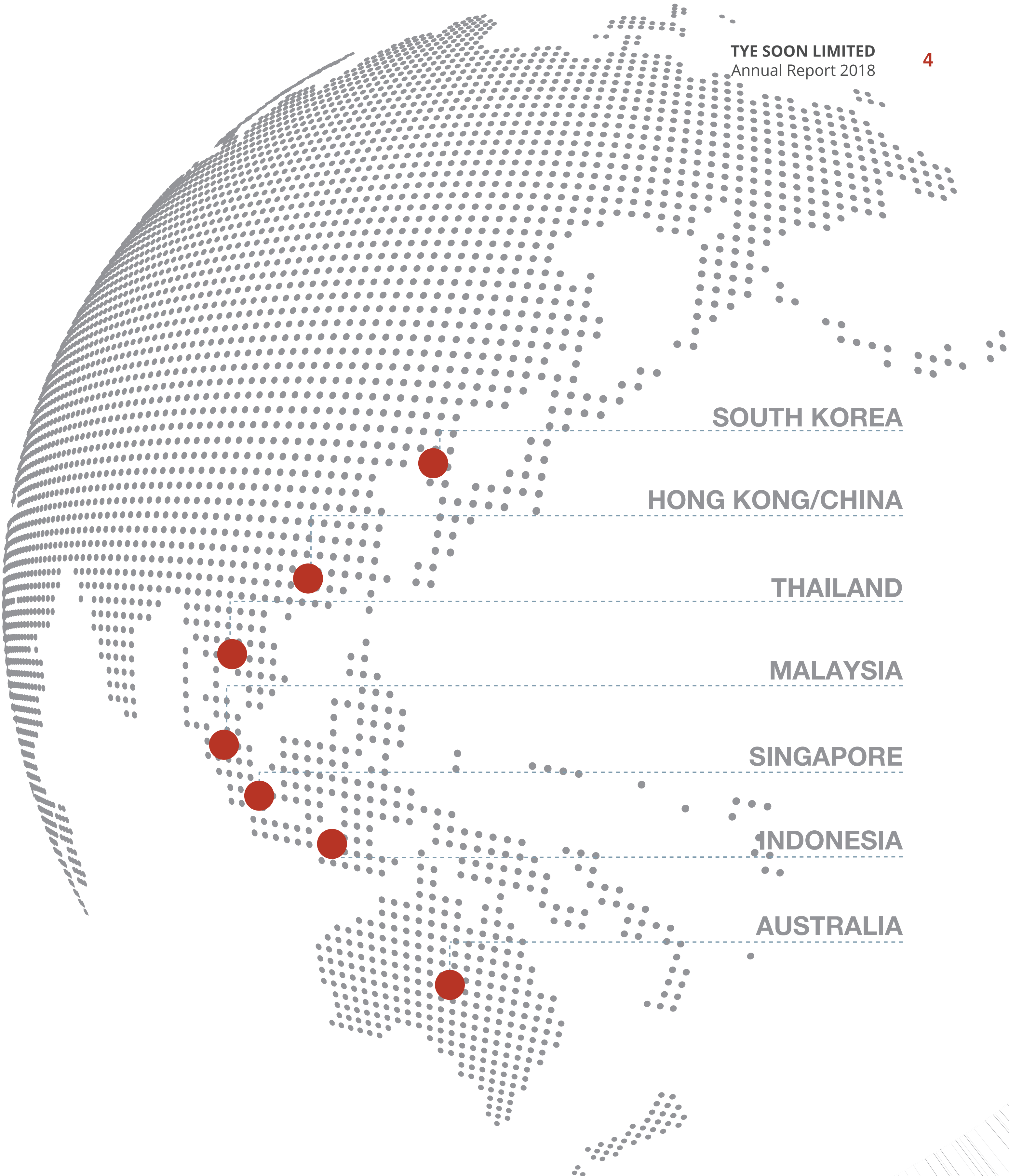
Subsidiaries
Imparts Holdings Pte Ltd
Filsound Enterprise Pte Ltd
TS Motorsport Pte. Ltd.
TSC Comparts Pte. Ltd.
Everts Pte. Ltd.
Joining Enterprise Pte. Ltd.
Tokyo Motor Pte. Ltd.
Imparts Automotive Pty Ltd
Imparts Distribution Pty Ltd
Automotive Partners Asia Pty Ltd
Naga Jaya Automotive Sdn. Bhd.
Edaran PAL Sdn. Bhd.
PAL Everts Co., Ltd.
TSC Enterprise (HK) Limited
TSC Trading (Shenzhen) Company Limited
Sejong Parts Plus Limited Liability Company
PT Palindo Makmur

Associated Corporation
Lintrex (Australia) Pty Ltd

5-Year Financial Summary

Results $'000	2014	2015	2016	2017	2018
Revenue	201,052	201,414	210,904	216,623	216,106
Profit/(Loss) before tax	4,011	1,102	7,373	1,694	(395)
Tax expense	(1,345)	(571)	(594)	(900)	(689)
Profit/(Loss) for the year	2,666	531	6,779	794	(1,084)
Non-controlling interests	(45)	(73)	(57)	(69)	(60)
Attributable profit/(loss)	2,621	458	6,722	725	(1,144)
Earnings per share (cents)	**3.00**	**0.53**	**7.70**	**0.83**	**(1.31)**

Financial Position $'000	2014	2015	2016	2017	2018
Plant and equipment	5,141	2,485	2,362	1,987	1,610
Goodwill on consolidation	109	104	105	104	96
Other non-current tangible assets	2,392	2,451	2,391	2,359	2,109
Current assets	142,124	155,075	157,963	154,796	152,881
Total assets	**149,766**	**160,115**	**162,821**	**159,246**	**156,696**
Equity attributable to owners of the Company					
Share capital	38,057	38,057	38,057	38,057	38,057
Reserves	19,728	15,512	17,090	17,722	14,739
Share capital and reserves	57,785	53,569	55,147	55,779	52,796
Non-controlling interests	146	203	258	322	347
Total equity	**57,931**	**53,772**	**55,405**	**56,101**	**53,143**
Current liabilities	90,596	104,842	106,633	102,255	102,770
Non-current liabilities	1,239	1,501	783	890	783
Total liabilities	**91,835**	**106,343**	**107,416**	**103,145**	**103,553**
Total equity and liabilities	**149,766**	**160,115**	**162,821**	**159,246**	**156,696**
Net tangible assets per share (cents)	**66.20**	**61.40**	**63.20**	**63.90**	**60.50**



DISTRIBUTION
EXCELLENCE

The most prominent independent automotive parts distributor in Southeast Asia.

Focusing mainly on maintenance and replacement automotive parts for the region's vehicles.

Chairman's Statement

The Board of Directors welcomed me as Non-executive Chairman in April 2018. Assuming the chairman's role after Ong Hock Siang has held the stewardship for over 20 years (and Mr Ong himself having taken over the position from his late father, the founder of this business) was indeed an honour, but at the same time an unexpected privilege. The change was made in compliance with guidelines set out in the Code of Corporate Governance.

2018 was also a notable year in the history of the business as the Company celebrated 85 years in business. Many would regard this as a simply remarkable feat as this business has successfully navigated over a journey through war, civil conflicts, as well as several periods of economic and financial crises over the past eight and a half decades. The Group is today the most prominent independent automotive parts distributor in Southeast Asia with a presence in seven countries within the Asia Pacific.

Amidst such positivity, the Company's performance in 2018 exalted mixed feelings as the business incurred a loss, the first since 2002. You will be able to read more on this in the next section on Business Review and Notes from the Executives.

2019 will be a year in which I would like to see the qualities of the business to show through as the Board and Management work towards achieving an improved performance.

Hee Theng Fong
Chairman
22 March 2019

85th ANNIVERSARY
ESTABLISHED 1933

Messages from some of our Principals

"An authorised reseller of genuine parts for Mercedes-Benz in Singapore, Tye Soon Limited is a valued partner…" DAIMLER

"...This significant achievement, of servicing the market for 85 years, is a reflection of a true quality organization…" CONTINENTAL

"We heartily congratulate our partner Tye Soon Limited…" THYSSENKRUPP BILSTEIN

"…proud of our strong relationship with Tye Soon Limited…" SCHAEFFLER

"…Your dedication, commitment and hard work made your organization what it is today…" SANKEI INDUSTRY

"We congratulate Tye Soon Ltd on their 85th Anniversary…" EXEDY

"...appreciation for the awesome partnership…" RAVENSBERGER

"…deeply thankful to your highly skillful management and staff for your valuable support in the achievement of our common goals…" FIAMM ENERGY

"…Reliability and trust are key factors to a company's success…" ZF

"...proud to be your partner..." GMB "…A long term valued partner of HELLA…" HELLA

"…It is a privilege to work with such an established partner…" FEDERAL-MOGUL

"…proud of our entrusted partnership for more than 30 years…" HITACHI AUTOMOTIVE

"...Tye Soon has been one of our long term business partner..." MANN + HUMMEL

"…a valued business partner of Robert Bosch (SEA) Pte Ltd…" ROBERT BOSCH

"Tye Soon Limited is now one of the largest distributors for Mitsubishi Engine Oil in Singapore…" CYCLE & CARRIAGE

Business Review

Review of Performance

Turnover reached $216.1 million, 0.2% below the level achieved in FY17.

The export-based business in Singapore started the year weak with sales affected noticeably by supply restrictions of a major brand. Sales efforts during the year were directed at narrowing the decline. The Group managed to respond positively over the year by leveraging on the Group's geographically diversified customer base and its large portfolio of brands. This essentially involved directing efforts at promoting a multitude of brands to a good spread of customers located in a number of markets. Aided by the recovery in sales to Thailand, the export-based business ended the year 1.2% higher than FY17.

Held by some degree of self-restraint, the Group's overseas operations nudged lower by 1.3%. Of the Group's larger operations, South Korea continued to advance, Malaysia maintained a modest growth rate but Australia was held back. South Korea continued to advance along its growth trajectory but the Group adopted a more selective, albeit slower, growth course with some de-emphasis on certain lower-margin product lines. Aided by an appreciation of the MYR, Malaysia maintained a modest growth rate despite business momentum being affected by both the general elections in May and the re-introduction of the Sales and Services Tax in September. Exacerbated by a 4.9% decline in the AUD against the SGD during the year, Australia declined mainly due to supply and logistics-related factors and to some degree renewed competition.

Total margins decreased by $2.1 million mainly due to the lower gross margin rate achieved for the year.

Following on from cost control initiatives introduced last year, cost uptrends in all major expense categories were moderated or reversed. Helped by the decline in the AUD against the SGD during the year, overall operating expenses fell by $1.1 million mainly due to the reduction in staff cost of $0.9 million.

The absence this year of the foreign exchange gain registered last year contributed to most of the decline in other income of $0.9 million.

EBITDA decreased from $5.3 million to $3.2 million. Profit from operations (PBIT) decreased from $4.4 million to $2.5 million. As a result, the loss before and after tax for the year were $0.4 million and $1.1 million respectively.

Prospects

The Group's cost control initiatives will continue and cost reductions made where the strategic imperative is not materially affected. The strength and resilience of the Group's distribution network consisting of its own overseas operations and its global external customer base remain the main platform underpinning the Group's business level. This platform combined with the Group's portfolio of brands provided the foundation for the Group to achieve a turnover of $111.2 million in 2H18, incidentally the highest half on record.

The Group will continue to maintain a tight rein on operating costs in a competitive environment. The Group's recovery and improvement plans will be based on leveraging on the Group's existing network of Group-operated warehouse infrastructure as this course allows revenues to be built up without increasing operating cost levels significantly.

The Group is looking to make a recovery in 2019, in performance as well as business level.

Notes from the Executives

The Group underperformed its potential in FY18. There is no question the recovery path will require the team's resolve towards taking the necessary steps to make that happen. The team is in place and is ready.

The entire recovery path may not be a short passage but we remain confident that the twin business enablers mentioned above, the Group's widespread customer base plus its large brand portfolio, remain relevant and will continue to be significant factors in pushing the Group forward.

Keeping a restraining hand on costs wherever possible, we aim to improve the business by continuing to exert leverage on the Group's market-leading positions in a number of business segments in Southeast Asia, South Korea and Australia.

David Chong
Managing Director

Kelvin Ong
Deputy Managing Director

The Group has come a long way since 1933 and entered its 86th year in business in 2019. This image expresses our desire to plan forward, shaping our future, by leveraging on our accumulated historical strengths and qualities.

Board of Directors

HEE THENG FONG
Non-executive Chairman

ONG HOCK SIANG
Executive Director

ONG HUAT KEE
Deputy Chairman

ONG HUAT YEW PETER
President

ONG HUAT CHOO

DAVID CHONG TEK YEW
Managing Director

ONG LAY MAY APPLE

ONG ENG CHIAN KELVIN
Deputy Managing Director

ONG ENG WAEY ABEL

ONG ENG MIEN MALCOLM

LIM LEE MENG

THAM KHUAN HENG

CHEN TIMOTHY TECK LENG @CHEN TECK LENG

Group Management Team

ONG HOCK SIANG

Executive Director

Mr Ong has been with the Group since 1966. Earlier in his career he was with the Inland Revenue and the Nanyang Siang Pau. He was the President of The Singapore Cycle and Motor Traders' Association for 14 years until 2000.

ONG HUAT YEW PETER

President

Mr Ong has been with the Group since 1965. He was appointed Managing Director in 2002 and President in February 2014. Mr Ong was also elected to be President of The Singapore Cycle and Motor Traders' Association in February 2014. He was previously the Association's Vice President.

DAVID CHONG TEK YEW

Managing Director

Mr Chong has been with the Group since 1998. He joined as Group General Manager/Executive Director and was appointed Deputy Managing Director in 2002. He was appointed Managing Director in February 2014. Prior to his appointment in Tye Soon Limited, he was Assistant Director, Corporate Finance at the investment banking arm of Standard Chartered Bank in Singapore. Earlier in his career, he was Manager at a public accounting firm based in London, United Kingdom. Mr Chong graduated from the University of Toronto in Canada and qualified as a Chartered Accountant in the United Kingdom.

ONG ENG CHIAN KELVIN

Deputy Managing Director

Mr Ong has been with the Group since 1999. He started as Marketing Executive before progressing to become Marketing Manager. He was appointed Executive Director in 2006 and became Deputy Managing Director in February 2014. Mr Ong graduated from Imperial College, London, United Kingdom.

LARRY LAI

Group Financial Controller

Mr Lai joined the Group in October 2007. Prior to this appointment, he held a senior finance position in an American MNC for three years. Earlier, Mr Lai was the Group's financial controller for seven years. Mr Lai graduated from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants.

Financial Contents

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 21 to 98 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 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:

Ong Hock Siang @ Ong Huat Seong
Ong Huat Kee
Ong Huat Yew, Peter
Ong Huat Choo
David Chong Tek Yew
Ong Lay May, Apple
Ong Eng Chian, Kelvin
Ong Eng Waey, Abel
Ong Eng Mien, Malcolm
Hee Theng Fong
Lim Lee Meng
Tham Khuan Heng
Chen Timothy Teck Leng @ Chen Teck Leng

Directors' Statement

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (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 and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Tye Soon Limited		
Ordinary shares fully paid		
Ong Hock Siang @ Ong Huat Seong	2,235,071	2,235,071
Ong Huat Kee	1,834,767	1,834,767
Ong Huat Yew, Peter	2,746,767	2,746,767
Ong Huat Choo	2,684,100	2,684,100
David Chong Tek Yew	1,383,666	1,383,666
Ong Lay May, Apple	600,000	600,000
Ong Eng Chian, Kelvin	402,708	402,708
Ong Eng Waey, Abel	1,653,447	1,653,447
Ong Eng Mien, Malcolm	52,666	52,666
Immediate and Ultimate Holding Company		
OBG & Sons Pte Ltd		
Ordinary shares fully paid		
Ong Hock Siang @ Ong Huat Seong	14,552	14,552
Ong Huat Kee	14,552	14,552
Ong Huat Yew, Peter	19,169	19,169
Ong Huat Choo	19,169	19,169
Ong Lay May, Apple	4,617	4,617
Ong Eng Chian, Kelvin	1,385	1,385
Ong Eng Waey, Abel	19,169	19,169
Subsidiary		
TSC Enterprise (HK) Limited		
Ordinary shares fully paid		
David Chong Tek Yew	10,000	10,000

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 end of the financial year.

Directors' Statement

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 share 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 share option to take up unissued shares of the Company or its subsidiaries under option.

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

Audit Committee

Throughout the financial year, the Company has complied with the guidelines listed in the Code of Corporate Governance 2012 (the "Code") with respect to Audit Committees, introduced by the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Members of the Audit Committee during the year and at the date of this statement are as follows:

Tham Khuan Heng (Chairperson)	Independent director
Lim Lee Meng	Independent director
Hee Theng Fong	Independent director
Chen Timothy Teck Leng @ Chen Teck Leng	Independent director

The Audit Committee performed the functions specified in Section 201B of the Act, the SGX-ST Listing Manual and the Code.

In performing its functions, the Audit Committee also reviewed the overall scope of the external and internal audits and the assistance given by the Company's officers to the auditors. It met with the Company's external and internal auditors to discuss the scope of their work, results of their examinations and evaluation of the Company's internal accounting control system.

The consolidated financial statements of the Group and the statement of financial position of the Company were reviewed by the Audit Committee prior to their submission to the directors of the Company for adoption. The Audit Committee also reviewed interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to and co-operation by management for it to discharge its functions.

Directors' Statement

The external and internal auditors have unrestricted access to the Audit Committee. The Audit Committee has reviewed the level of audit and non-audit fees and is satisfied with the independence and objectivity of the external auditors.

The Audit Committee 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.

Auditors

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

On behalf of the Board of Directors

Ong Hock Siang @ Ong Huat Seong
Director

Ong Huat Yew, Peter
Director

22 March 2019

Independent Auditors' Report

Members of the Company - Tye Soon Limited and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tye Soon Limited (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 income statement, 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 21 to 98.

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)") 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.

Independent Auditors' Report

Members of the Company - Tye Soon Limited and its subsidiaries

Valuation of inventories ($102.6 million) **Refer to note 3.7 (accounting policy) and note 10 (financial disclosures)**	
The key audit matter	*How the matter was addressed in our audit*
Inventories represent 65% of the Group's total assets as at 31 December 2018. Cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The write-down of inventories to net realisable value is based on the age of these inventories, prevailing market conditions in the automotive parts industry and historical provisioning experience which requires management judgement. The write-down of inventories is reviewed and determined by executive and operation managers in consultation with sales managers, and are approved by the executive directors.	Our audit procedures included, amongst others: ■ Assessed the reasonableness of the write-down of inventories by comparing to historical sales trend, reviewed the trend in the inventory ageing reports against prior years to assess if there were any significant build-up of aged stocks, and/or corroborated to the continued existence of the car models used. ■ Tested the net realisable value of inventories by comparing the cost to sales price subsequent to the financial year end or the latest sales price available. *Our findings* We found management's estimates on the write-down of inventories for the samples selected to be reasonable.

Valuation of trade receivables ($32.1 million) **Refer to note 3.8 (accounting policy) and 24 (financial disclosures)**	
The key audit matter	*How the matter was addressed in our audit*
Trade receivables represent 20% of the Group's total assets as at 31 December 2018. Any impairment of significant trade receivables could have material impact on the Group's income statement. The expected credit losses are estimated based on the historical default rate for the past five years, then adjusted for forward-looking overlay. The estimates used in the expected credit losses are deliberated at monthly management meeting and approved by the executive directors.	Our audit procedures included, amongst others: ■ Assessed the reasonableness of key assumptions and estimates used in the expected credit loss model and tested the completeness and accuracy of data inputs in the model. ■ Assessed the recoverability of significant and/or long outstanding balance, by challenging management's assessment and corroborated to historical payment records and subsequent receipts, if any. ■ Assessed whether disclosures in respect of the credit risk of trade receivables are appropriate. *Our findings* We found management's estimates on the expected credit losses on trade receivables for the samples selected to be reasonable and the disclosures are appropriate.

Independent Auditors' Report

Members of the Company - Tye Soon Limited and its subsidiaries

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 our auditors' report thereon.

We have obtained all other information 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), 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.

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.

Independent Auditors' Report

Members of the Company - Tye Soon Limited and its subsidiaries

- 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 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.

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 Shelley Chan Hoi Yi.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2019

Statements of Financial Position

As at 31 December 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Assets							
Plant and equipment	4	1,610	1,987	2,362	542	629	620
Goodwill on consolidation		96	104	105	–	–	–
Subsidiaries	5	–	–	–	25,175	25,822	25,411
Associate	6	198	309	353	162	162	162
Other investment	7	815	815	765	815	815	765
Deferred tax assets	8	1,096	1,235	1,273	–	–	–
Loan receivables	9	–	–	–	–	–	–
Non-current assets		3,815	4,450	4,858	26,694	27,428	26,958
Current tax assets		326	198	241	–	–	–
Inventories	10	102,599	106,263	110,210	33,467	36,060	37,832
Trade and other receivables	11	35,251	32,944	34,140	55,824	51,503	54,615
Cash and cash equivalents		14,705	15,391	13,372	6,116	4,444	3,969
Current assets		152,881	154,796	157,963	95,407	92,007	96,416
Total assets		156,696	159,246	162,821	122,101	119,435	123,374
Equity							
Share capital	12	38,057	38,057	38,057	38,057	38,057	38,057
Reserves	13	14,739	17,722	17,090	3,984	3,975	3,181
Equity attributable to owners of the Company		52,796	55,779	55,147	42,041	42,032	41,238
Non-controlling interests		347	322	258	–	–	–
Total equity		53,143	56,101	55,405	42,041	42,032	41,238
Liabilities							
Loans and borrowings	14	38	13	31	–	–	–
Employee benefits	15	712	837	713	–	–	–
Deferred tax liabilities	8	33	40	39	–	–	–
Non-current liabilities		783	890	783	–	–	–
Loans and borrowings	14	79,111	78,518	84,926	67,890	66,862	73,454
Trade and other payables	16	22,455	22,041	19,630	11,111	9,159	6,670
Contract liabilities	17	1,073	1,395	2,032	1,059	1,382	2,012
Current tax liabilities		131	301	45	–	–	–
Current liabilities		102,770	102,255	106,633	80,060	77,403	82,136
Total liabilities		103,553	103,145	107,416	80,060	77,403	82,136
Total equity and liabilities		156,696	159,246	162,821	122,101	119,435	123,374

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

Consolidated Income Statement

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	17	216,106	216,623
Other income		205	1,137
Changes in inventories of finished goods		(3,664)	(3,947)
Cost of purchases		(169,208)	(167,603)
Staff costs		(22,786)	(23,732)
Depreciation expenses		(622)	(781)
Other operating expenses		(17,489)	(17,214)
Finance costs	18	(2,833)	(2,744)
Share of loss of an associate (net of tax)	6	(104)	(45)
(Loss)/Profit before tax		(395)	1,694
Tax expense	19	(689)	(900)
(Loss)/Profit for the year		(1,084)	794
(Loss)/Profit attributable to:			
Owners of the Company		(1,144)	725
Non-controlling interests		60	69
(Loss)/Profit for the year	20	(1,084)	794
Earnings per share			
Basic and diluted earnings per share (cents)	21	(1.31)	0.83

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
(Loss)/Profit for the year		(1,084)	794
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation of a subsidiary	15	(13)	(268)
		(13)	(268)
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial asset		–	50
Foreign currency translation differences of net assets/liabilities of foreign branch, subsidiaries and associate		(1,129)	871
		(1,129)	921
Other comprehensive income for the year, net of tax		(1,142)	653
Total comprehensive income for the year		(2,226)	1,447
Total comprehensive income attributable to:			
Owners of the Company		(2,286)	1,383
Non-controlling interests		60	64
Total comprehensive income for the year		(2,226)	1,447

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Note	Attributable to owners of the Company							
		Share capital $'000	Other capital reserves $'000	Fair value reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017		38,057	3,501	(155)	(6,369)	20,113	55,147	258	55,405
Total comprehensive income for the year									
Profit for the year		–	–	–	–	725	725	69	794
Other comprehensive income									
Foreign currency translation differences of net assets/liabilities of foreign branch, subsidiaries and associate		–	–	–	876	–	876	(5)	871
Net change in fair value of available-for-sale financial asset		–	–	50	–	–	50	–	50
Remeasurement of defined benefit obligation of a subsidiary		–	–	–	–	(268)	(268)	–	(268)
Total other comprehensive income		–	–	50	876	(268)	658	(5)	653
Total comprehensive income for the year		–	–	50	876	457	1,383	64	1,447
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividend declared	13	–	–	–	–	(751)	(751)	–	(751)
Total contributions by and distributions to owners		–	–	–	–	(751)	(751)	–	(751)
At 31 December 2017		38,057	3,501	(105)	(5,493)	19,819	55,779	322	56,101

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 $'000**	**Other capital reserves $'000**	**Fair value reserve $'000**	**Translation reserve $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2018, as previously stated		38,057	3,501	(105)	(5,493)	19,819	55,779	322	56,101
Adjustment on initial application of SFRS(I) 9 (net of tax)	26	–	–	–	–	(197)	(197)	–	(197)
Adjusted balance at 1 January 2018		38,057	3,501	(105)	(5,493)	19,622	55,582	322	55,904
Total comprehensive income for the year									
(Loss)/Profit for the year		–	–	–	–	(1,144)	(1,144)	60	(1,084)
Other comprehensive income									
Foreign currency translation differences of net assets/liabilities of foreign branch, subsidiaries and associate		–	–	–	(1,129)	–	(1,129)	–	(1,129)
Remeasurement of defined benefit obligation of a subsidiary		–	–	–	–	(13)	(13)	–	(13)
Total other comprehensive income		–	–	–	(1,129)	(13)	(1,142)	–	(1,142)
Total comprehensive income for the year		–	–	–	(1,129)	(1,157)	(2,286)	60	(2,226)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends declared	13	–	–	–	–	(500)	(500)	(35)	(535)
Total contributions by and distributions to owners		–	–	–	–	(500)	(500)	(35)	(535)
At 31 December 2018		38,057	3,501	(105)	(6,622)	17,965	52,796	347	53,143

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
(Loss)/Profit before tax		(395)	1,694
Adjustments for:			
Depreciation expense	4	622	781
Gain on sale of plant and equipment	20	(18)	(19)
Share of loss of an associate (net of tax)	6	104	45
Impairment losses/(Reversal of impairment losses) on trade receivables	24	94	(195)
Write-down of inventories	10	488	177
Interest income	20	(28)	(35)
Finance costs	18	2,833	2,744
Unrealised foreign exchange gain		(512)	(503)
		3,188	4,689
Changes in working capital			
Changes in inventories		2,148	4,420
Changes in trade and other receivables		(2,810)	1,674
Changes in trade and other payables		141	2,188
Changes in contract liabilities		(322)	(637)
Changes in bills payable and trust receipts		9,083	(7,177)
Cash generated from operating activities		11,428	5,157
Tax paid		(935)	(569)
Interest paid		(1,063)	(1,031)
Net cash from operating activities		9,430	3,557
Cash flows from investing activities			
Interest received		28	35
Proceeds from sale of plant and equipment		38	30
Acquisition of plant and equipment		(247)	(401)
Net cash used in investing activities		(181)	(336)
Cash flows from financing activities			
Payment of finance lease liabilities		(26)	(27)
Proceeds from borrowings		9,077	20,826
Repayment of borrowings		(16,650)	(19,631)
Interest paid		(1,542)	(1,717)
Dividends paid to owners of the Company	13	(500)	(751)
Net cash used in financing activities		(9,641)	(1,300)
Net (decrease)/increase in cash and cash equivalents		(392)	1,921
Cash and cash equivalents at the beginning of the year		15,391	13,372
Effect of exchange rate changes on the balance of cash held in foreign currencies		(294)	98
Cash and cash equivalents at the end of the year		14,705	15,391

Non-cash transaction: The Group acquired plant and equipment with an aggregate cost of $310,000 (2017: $401,000), of which $63,000 (2017: nil) was acquired under finance leases.

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

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 22 March 2019.

1 Domicile and activities

Tye Soon Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 3C Toh Guan Road East #01-03 Singapore 608832. Its principal place of business is located at 3C Toh Guan Road East #01-03 Singapore 608832.

The immediate and ultimate holding company during the financial year is OBG & Sons Pte Ltd, a company incorporated in Singapore.

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") and the Group's interest in equity-accounted associate.

The Group is primarily involved in the import and export, and distribution of automotive parts and property investment.

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 and SFRS(I) 15 have affected the reporting financial position, financial performance and cash flows is provided in note 26.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 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.

Notes to The Financial Statements

Year ended 31 December 2018

2 Basis of preparation (cont'd)

2.4 Use of estimates and judgements (cont'd)

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 are no critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

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

- Note 10 – Measurement of write-down of inventories
- Note 24 – Measurement of impairment loss on trade receivables

Measurement of fair values

A number of the Group's accounting policies and disclosures requires 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. This includes a finance team that has an overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Financial Controller.

When measuring the fair value of an asset or a liability, the Group uses observable market 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 of 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 24.

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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation

Business combinations

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

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 interest (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 investments 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.

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 date of transition.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

Business combinations (cont'd)

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

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associate in the separate financial statements

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

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

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 retranslated 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. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either other income or other operating expenses depending on whether foreign currency movements are in a net gain or net loss position.

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.

Foreign operations

The assets and liabilities of foreign operations, excluding 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 other comprehensive income, and are presented in the translation reserve in equity.

3.3 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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(i) *Recognition and initial measurement (cont'd)*

Non-derivative financial assets and financial liabilities (cont'd)

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.

(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; fair value through other comprehensive income (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.

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: 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;

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (cont'd)

- 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).

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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

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.

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.

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

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.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments.

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised 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.

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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

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.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that requires 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.

Expected credit loss (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 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.

3.4 Plant and equipment

Recognition and measurement

Items of 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.

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

3 Significant accounting policies (cont'd)

3.4 Plant and equipment (cont'd)

Recognition and measurement (cont'd)

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

The gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of 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 plant and equipment are recognised in profit or loss as incurred.

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 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.

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

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

Furniture, fittings and office equipment	4 to 10 years
Plant and machinery	5 to 8 years
Renovations	5 years (or lease term, if shorter)
Motor vehicles	5 to 10 years
Computers	5 years

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

3.5 Goodwill

For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associate, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.6 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.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

3.8 Impairment

Non-derivative financial 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).

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.

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

General approach (cont'd)

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).

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

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 and debt investments at FVOCI 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

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

Credit-impaired financial assets (cont'd)

- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

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

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

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

A financial asset not carried at FVTPL, including an interest in an associate, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included 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 would 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 was objective evidence of impairment. The Group considered 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 assets 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. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

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.

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

Loans and receivables (cont'd)

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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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, then the asset's recoverable amount is 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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.8 Impairment (cont'd)

Non-financial assets (cont'd)

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.

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 amounts of the other assets in the CGU (group of CGUs) 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.9 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 related services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA from rating agency that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

3 Significant accounting policies (cont'd)

3.9 Employee benefits (cont'd)

Defined benefit plans (cont'd)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gain and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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.

Long-term employee benefits

The Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.10 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.

3.11 Revenue

Goods sold

Revenue from the 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 stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone 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 stand-alone 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.

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.

Revenue is recognised at a point in time following the timing of satisfaction of the PO.

3.12 Other income

Rental income

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as 'other income'.

3.13 Government grants

Cash grants received from the government in relation to the Special Employment Credit are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Company and are offset against staff costs in the financial statements.

3.14 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.

3 Significant accounting policies (cont'd)

3.14 Lease payments (cont'd)

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.

3.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

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.

3.16 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable 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.

Notes to The Financial Statements

Year ended 31 December 2018

3 Significant accounting policies (cont'd)

3.16 Tax (cont'd)

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 and associates 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.

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 individual subsidiaries in 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 Significant accounting policies (cont'd)

3.17 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.

3.18 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 executive committee ("EXCO") 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 EXCO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

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 27.

Notes to The Financial Statements

Year ended 31 December 2018

4 Plant and equipment

	Furniture, fittings and office equipment $'000	Plant and machinery $'000	Renovations $'000	Motor vehicles $'000	Computers $'000	Total $'000
Group						
Cost						
At 1 January 2017	5,756	547	347	976	1,673	9,299
Additions	189	9	17	107	79	401
Disposals/write-off	(69)	(204)	(4)	(161)	(762)	(1,200)
Reclassification	(23)	23	–	–	–	–
Effect of movements in exchange rates	27	–	4	(9)	6	28
At 31 December 2017	5,880	375	364	913	996	8,528
Additions	111	7	42	108	42	310
Disposals/write-off	(14)	(40)	(88)	(129)	(7)	(278)
Effect of movements in exchange rates	(131)	(19)	(3)	(3)	(38)	(194)
At 31 December 2018	5,846	323	315	889	993	8,366
Accumulated depreciation and impairment losses						
At 1 January 2017	4,229	493	151	762	1,302	6,937
Depreciation	371	34	57	97	222	781
Disposals/write-off	(69)	(204)	(1)	(161)	(754)	(1,189)
Effect of movements in exchange rates	11	–	2	(2)	1	12
At 31 December 2017	4,542	323	209	696	771	6,541
Depreciation	337	22	55	88	120	622
Disposals/write-off	(12)	(40)	(76)	(124)	(6)	(258)
Effect of movements in exchange rates	(91)	(16)	(1)	(6)	(35)	(149)
At 31 December 2018	4,776	289	187	654	850	6,756
Carrying amounts						
At 1 January 2017	1,527	54	196	214	371	2,362
At 31 December 2017	1,338	52	155	217	225	1,987
At 31 December 2018	1,070	34	128	235	143	1,610

4 Plant and equipment (cont'd)

At the reporting date, the carrying amount of the Group's motor vehicles held under finance leases are $80,574 (2017: $41,913), respectively.

	Furniture, fittings and office equipment $'000	Plant and machinery $'000	Renovations $'000	Motor vehicles $'000	Computers $'000	Total $'000
Company						
Cost						
At 1 January 2017	3,188	228	124	376	963	4,879
Additions	15	–	–	104	56	175
Disposals/Write-off	(28)	(185)	–	(161)	(760)	(1,134)
At 31 December 2017	3,175	43	124	319	259	3,920
Additions	5	–	–	38	25	68
At 31 December 2018	3,180	43	124	357	284	3,988
Accumulated depreciation and impairment losses						
At 1 January 2017	2,835	227	28	309	860	4,259
Depreciation	51	–	24	42	41	158
Disposals/Write-off	(28)	(185)	–	(161)	(752)	(1,126)
At 31 December 2017	2,858	42	52	190	149	3,291
Depreciation	47	1	24	38	45	155
At 31 December 2018	2,905	43	76	228	194	3,446
Carrying amounts						
At 1 January 2017	353	1	96	67	103	620
At 31 December 2017	317	1	72	129	110	629
At 31 December 2018	275	–	48	129	90	542

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Year ended 31 December 2018

5 Subsidiaries

	Company		
	2018	2017	1 January 2017
	$'000	$'000	$'000
Unquoted equity shares, at cost	2,571	2,571	2,571
Loans due from subsidiaries	24,688	25,234	24,672
Impairment losses	(2,084)	(1,983)	(1,832)
	22,604	23,251	22,840
	25,175	25,822	25,411

Loans due from subsidiaries of $24,672,000 and $25,234,000 as at 1 January 2017 and 31 December 2017 respectively, are classified as loans and receivables. On adoption of SFRS(I) 9 the loans are classified as financial assets at amortised cost.

The loans are unsecured, interest-free and have no fixed terms of repayment. The settlement of these loans is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

Management has performed an impairment review to assess the recoverable amount of the subsidiaries. The estimated recoverable amount of its subsidiaries was determined based on the fair value less costs to sell, which approximate the net current assets of the subsidiaries, which comprise predominantly monetary items.

The Company's exposure to credit risk and currency risk related to loans due from subsidiaries are disclosed in note 24.

Details of Singapore incorporated and significant foreign incorporated subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Ownership interest		
			2018	2017	1 January 2017
			%	%	%
(1) Filsound Enterprise Pte Ltd	Importing and exporting of automotive spare parts	Singapore	100	100	100
(1) Everts Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100	100
(1) Tokyo Motor Pte. Ltd.	Trading in automotive spare parts	Singapore	90	90	90
(3) Top Able Marketing Sdn. Bhd.	Trading in automotive spare parts	Malaysia	100	100	100

Notes to The Financial Statements

Year ended 31 December 2018

5 Subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Ownership interest		
			2018 %	2017 %	1 January 2017 %
[1] Joining Enterprise Pte. Ltd. and its subsidiary	Trading in automotive spare parts	Singapore	100	100	100
[3] Multiple Parts Supply Sdn. Bhd.	Trading in automotive spare parts	Malaysia	100	100	100
[1] TS Motorsport Pte. Ltd. and its subsidiary	Trading in automotive spare parts	Singapore	100	100	100
[1] TSC Comparts Pte. Ltd.	Trading in automotive spare parts	Singapore	60	60	60
[1] Imparts Holdings Pte Ltd and its subsidiary	Investment holding	Singapore	100	100	100
[2] Imparts Automotive Pty Ltd	Distribution of automotive spare parts	Australia	100	100	100

[1] Audited by KPMG LLP, Singapore.
[2] Audited by Grant Thornton Audit Pty Ltd.
[3] Audited by Grant Thornton Malaysia.

In addition, the Group has subsidiaries incorporated in Malaysia, Thailand, Indonesia, Hong Kong/China, South Korea, United Stated of America and Australia with principal activities of importing, distributing and trading in automotive spare parts.

A subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if it's a pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

6 Associate

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Unquoted equity investment, at cost	198	309	353	162	162	162

Notes to The Financial Statements

Year ended 31 December 2018

6 Associate (cont'd)

Name of associate	Principal activities	Country of incorporation	Effective equity interest held by the Group		
			2018 %	2017 %	1 January 2017 %
Lintrex (Australia) Pty Ltd ("Lintrex")	Trading in automotive spare parts	Australia	25	25	25

Lintrex is an unlisted entity and consequently does not have published price quotations.

Immaterial associate

The following table summarises, in aggregate, the carrying amount and share of profit and other comprehensive income of the associate that is accounted for using the equity method:

	2018 $'000	2017 $'000	1 January 2017 $'000
Group's interest in net assets of investees at beginning of the year	309	353	379
Group's share of:			
- loss for the year	(104)	(45)	(28)
- other comprehensive income	(7)	1	2
- total comprehensive income	(111)	(44)	(26)
Carrying amount of interest in investee at end of the year	198	309	353

At the reporting date, the associate do not have any contingent liabilities.

7 Other investment

	Group and Company		
	2018 $'000	2017 $'000	1 January 2017 $'000
Equity investment – at available-for-sale	–	815	765
Equity investment – at FVOCI	815	–	–
	815	815	765

The investment is not listed in any stock exchange, a quoted market price is not available; there were also no recent observable arm's length transactions in the shares. The fair value of unquoted equity security is measured based on fair value of the investee's assets and liabilities plus an adjustment for non-controlling interest. The measurement of fair value is disclosed in note 24.

7 Other investment (cont'd)

Equity investment designated as at FVOCI

At 1 January 2018, the Group designated the investment shown below as equity investment at FVOCI as it represents investment that the Group intends to hold for the long-term strategic purposes. In 2017, this investment was classified as available-for-sale.

	Fair value at 31 December 2018 $'000	Dividend income recognised during 2018 $'000
Investment in Gold Choice Food Industries Sdn Bhd	815	9

No strategic investment was disposed off during 2018, and there was no transfer of any cumulative gain or loss within equity relating to this investment.

8 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Group						
Plant and equipment	–	–	–	(33)	(40)	(39)
Provisions	1,064	1,199	1,228	–	–	–
Tax loss carry-forward	32	36	45	–	–	–
Deferred tax assets/(liabilities)	1,096	1,235	1,273	(33)	(40)	(39)

Movements in temporary differences during the year

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year were as follows:

	As at 1 January 2017 $'000	Recognised in profit or loss (note 19) $'000	Exchange differences $'000	As at 31 December 2017 $'000
Group				
Plant and equipment	(39)	(1)	–	(40)
Provisions	1,228	(26)	(3)	1,199
Tax losses carry-forward	45	(5)	(4)	36
	1,234	(32)	(7)	1,195

Notes to The Financial Statements

Year ended 31 December 2018

8 Deferred tax assets and liabilities (cont'd)

Movements in temporary differences during the year (cont'd)

	As at 1 January 2018 $'000	Recognised in profit or loss (note 19) $'000	Exchange differences $'000	As at 31 December 2018 $'000
Group				
Plant and equipment	(40)	7	–	(33)
Provisions	1,199	(47)	(88)	1,064
Tax losses carry-forward	36	(5)	1	32
	1,195	(45)	(87)	1,063

Unrecognised deferred tax assets

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

	Group			Company		
	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Deductible temporary differences	–	–	132	–	–	546
Tax losses	10,756	7,285	7,769	10,240	6,851	7,465

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses do not expire under the current tax regulations.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available for which the Group can utilise the benefits there from.

9 Loan receivables

	Group and Company		
	2018 $'000	2017 $'000	1 January 2017 $'000
Loan receivables	1,100	1,100	1,100
Impairment losses	(1,100)	(1,100)	(1,100)
	–	–	–

9 Loan receivables (cont'd)

Loan receivables comprise:

(a) a loan of $91,000 (2017: $91,000; 1 January 2017: $91,000) made to a relative of one of the directors for his contribution towards the capital of Tye Soon (Xiamen) Co. Ltd., a company established in the People's Republic of China. The loan is secured on the shares in Tye Soon (Xiamen) Co. Ltd.; and

(b) an unsecured loan of $1,009,000 (2017: $1,009,000; 1 January 2017: $1,009,000) to Tye Soon (Xiamen) Co. Ltd. to provide working capital for its operations.

10 Inventories

	Group			Company		
	2018	**2017**	**1 January 2017**	**2018**	**2017**	**1 January 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Finished goods	96,179	100,059	101,738	31,126	32,486	34,562
Goods-in-transit	6,420	6,204	8,472	2,341	3,574	3,270
	102,599	106,263	110,210	33,467	36,060	37,832

The Group carries out reviews on inventory obsolescence and any decline in the net realisable value below cost will be recorded against inventory balance. The net realisable value represents management's best estimate of the recoverable amount and is based on evidence available at the end of the reporting date. Management considers ageing analysis, prevailing market conditions of the inventories and historical provisioning experience as part of its inventory obsolescence assessment process. The write-down required could change significantly as a result of changes in market conditions.

The Group's cost of inventories recognised as expense and included in cost of sales amounted to $172,872,000 (2017: $171,550,000).

The Group's write-down of inventories to net realisable value included in cost of sales amounted to $488,000 (2017: $177,000).

Notes to The Financial Statements

Year ended 31 December 2018

11 Trade and other receivables

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	32,076	30,033	30,907	13,912	10,379	12,665
Amounts due from subsidiaries						
- Trade	–	–	–	15,803	15,549	16,051
- Non-trade	–	–	–	25,145	24,950	24,917
Deposits	1,179	1,118	1,201	189	190	199
Other receivables and advances	797	866	868	195	118	81
Rebates and discounts receivable from suppliers	784	248	544	448	169	500
	34,836	32,265	33,520	55,692	51,355	54,413
Prepayments	415	679	620	132	148	202
	35,251	32,944	34,140	55,824	51,503	54,615

Non-trade amounts due from subsidiaries are unsecured, interest free, and repayable on demand. These balances are stated at cost less allowance for impairment losses.

The Group's and the Company's exposure to credit risk and currency risk related to trade and other receivables are disclosed in note 24.

12 Share capital

	Number of shares	
	2018	2017
	('000)	('000)
Company		
As at 1 January and 31 December	87,265	87,265

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid.

Capital management

The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as profit after tax divided by total shareholders' equity excluding non-controlling interests. The Board also monitors the level of dividends to ordinary shareholders.

Notes to The Financial Statements

Year ended 31 December 2018

12 Share capital (cont'd)

Capital management (cont'd)

The Board of Directors seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Capital consists of share capital and retained earnings.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

13 Reserves

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Other capital reserves	3,501	3,501	3,501	–	–	–
Fair value reserve	(105)	(105)	(155)	(105)	(105)	(155)
Translation reserve	(6,622)	(5,493)	(6,369)	659	691	533
Retained earnings	17,965	19,819	20,113	3,430	3,389	2,803
	14,739	17,722	17,090	3,984	3,975	3,181

Other capital reserves

Other capital reserves comprise of gains on disposal of assets, net of negative goodwill arising on acquisition of subsidiaries under common control.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity instrument designated at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified.

Translation reserve

Translation reserve comprises:

(i) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company; and

(ii) foreign exchange differences on translation of monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Notes to The Financial Statements

Year ended 31 December 2018

13 Reserves (cont'd)

Dividends

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

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Paid by the Company to owners of the Company		
Final tax exempt (one-tier) dividend of 0.861 cents per share in respect of the year ended 31 December 2016	–	751
Final tax exempt (one-tier) dividend of 0.573 cents per share in respect of the year ended 31 December 2017	500	–

	Group	
	2018	**2017**
	$'000	**$'000**
Payable by a subsidiary to NCI		
Interim dividend of HK$20 (equivalent to $3.50) per share in respect of the year ended 31 December 2017	35	–

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**
	$'000	**$'000**
Final tax exempt (one-tier) dividend of 0.573 cents per share in respect of the year ended 31 December 2017	–	500

14 Loans and borrowings

	Group			Company		
	2018	**2017**	**1 January 2017**	**2018**	**2017**	**1 January 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current liabilities						
Finance lease liabilities	38	13	31	–	–	–
Current liabilities						
Finance lease liabilities	28	15	28	–	–	–
Unsecured bank loans	35,767	43,853	43,096	34,349	40,884	40,193
Bills payable and trust receipts	43,316	34,650	41,802	33,541	25,978	33,261
	79,111	78,518	84,926	67,890	66,862	73,454
	79,149	78,531	84,957	67,890	66,862	73,454

Notes to The Financial Statements

Year ended 31 December 2018

14 Loans and borrowings (cont'd)

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2018				
Finance lease liabilities				
Hong Kong dollar	2.29 – 2.50	2021	71	66
Unsecured bank loans				
Singapore dollar	2.78 – 4.26	2019	24,000	24,000
Australian dollar	3.92	2019	7,039	7,039
Hong Kong dollar	4.16 – 4.81	2019	3,310	3,310
Malaysia Ringgit	5.71	2019	1,418	1,418
			35,767	35,767
Bills payable and trust receipts				
Singapore dollar	2.90 – 4.36	2019	26,322	26,322
United States dollar	3.80 – 5.55	2019	6,202	6,202
Japanese Yen	1.50 – 2.57	2019	1,283	1,283
Australian dollar	3.99 – 4.32	2019	7,075	7,075
Malaysia Ringgit	5.63 – 6.02	2019	2,434	2,434
			43,316	43,316
			79,154	79,149
31 December 2017				
Finance lease liabilities				
Hong Kong dollar	2.50	2019	29	28
Unsecured bank loans				
Singapore dollar	2.41 – 3.73	2018	27,300	27,300
Euro	2.57	2018	799	799
Australian dollar	3.60 – 4.00	2018	9,534	9,534
Hong Kong dollar	3.04 – 4.00	2018	3,251	3,251
Malaysia Ringgit	5.48	2018	2,969	2,969
			43,853	43,853

Notes to The Financial Statements

Year ended 31 December 2018

14 Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2017				
Bills payable and trust receipts				
Singapore dollar	2.35 – 3.58	2018	18,766	18,766
United States dollar	2.75 – 4.49	2018	3,638	3,638
Japanese Yen	1.05 – 3.80	2018	3,790	3,790
Australian dollar	3.89 – 4.05	2018	5,590	5,590
Malaysia Ringgit	3.30 – 5.76	2018	2,866	2,866
			34,650	34,650
			78,532	78,531
1 January 2017				
Finance lease liabilities				
Australian dollar	7.62	2017	5	5
Hong Kong dollar	2.50 – 2.75	2019	57	54
			62	59
Unsecured bank loans				
Singapore dollar	2.20 – 2.85	2017	25,500	25,500
Australian dollar	3.45 – 4.25	2017	10,028	10,028
Hong Kong dollar	2.58 – 2.92	2017	4,665	4,665
Malaysia Ringgit	5.52	2017	2,903	2,903
			43,096	43,096
Bills payable and trust receipts				
Singapore dollar	2.19 – 3.50	2017	26,056	26,056
United States dollar	2.66 – 3.55	2017	3,134	3,134
Japanese Yen	1.08 – 2.51	2017	4,189	4,189
Australian dollar	3.91 – 4.07	2017	6,610	6,610
Malaysia Ringgit	5.37 – 5.43	2017	1,813	1,813
			41,802	41,802
			84,960	84,957

14 Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Company				
31 December 2018				
Unsecured bank loans				
Singapore dollar	2.78 – 4.26	2019	24,000	24,000
Australian dollar	3.92	2019	7,039	7,039
Hong Kong dollar	4.16 – 4.81	2019	3,310	3,310
			34,349	34,349
Bills payable and trust receipts				
Singapore dollar	2.90 – 4.36	2019	26,056	26,056
United States dollar	3.80 – 5.55	2019	6,202	6,202
Japanese Yen	1.50 – 2.57	2019	1,283	1,283
			33,541	33,541
			67,890	67,890
31 December 2017				
Unsecured bank loans				
Singapore dollar	2.41 – 3.73	2018	27,300	27,300
Euro	2.57	2018	799	799
Australian dollar	3.60 – 4.00	2018	9,534	9,534
Hong Kong dollar	3.04 – 4.00	2018	3,251	3,251
			40,884	40,884
Bills payable and trust receipts				
Singapore dollar	2.35 – 3.58	2018	18,550	18,550
United States dollar	2.75 – 4.49	2018	3,638	3,638
Japanese Yen	1.05 – 3.80	2018	3,790	3,790
			25,978	25,978
			66,862	66,862
1 January 2017				
Unsecured bank loans				
Singapore dollar	2.20 – 2.85	2017	25,500	25,500
Australian dollar	3.45 – 4.25	2017	10,028	10,028
Hong Kong dollar	2.58 – 2.92	2017	4,665	4,665
			40,193	40,193
Bills payable and trust receipts				
Singapore dollar	2.19 – 3.50	2017	25,938	25,938
United States dollar	2.66 – 3.55	2017	3,134	3,134
Japanese Yen	1.08 – 2.51	2017	4,189	4,189
			33,261	33,261
			73,454	73,454

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Year ended 31 December 2018

14 Loans and borrowings (cont'd)

Finance lease liabilities

The Group's finance lease liabilities are payable as follows:

	Principal	Interest	Future minimum lease payments	Principal	Interest	Future minimum lease payments	Principal	Interest	Future minimum lease payments
	2018	2018	2018	2017	2017	2017	1 January 2017	1 January 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Within one year	28	3	31	15	1	16	28	2	30
Between one year and five years	38	2	40	13	–	13	31	1	32
	66	5	71	28	1	29	59	3	62

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $21,103,000 (2017: $20,366,000; 1 January 2017: $19,553,000) granted to wholly-owned subsidiaries which is payable by June 2019 (2017: June 2018; 1 January 2017: June 2017). At the reporting date, the Company does not consider it probable that a claim will be made against the amounts under guarantee.

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

	Liabilities			
	Finance lease liabilities	Unsecured bank loans	Interest Payable	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2017	59	43,096	256	43,411
Changes from financing cash flows				
Payment of finance lease liabilities	(27)	–	–	(27)
Repayment of borrowings	–	(19,631)	–	(19,631)
Proceeds from borrowings	–	20,826	–	20,826
Interest paid	–	–	(1,717)	(1,717)
Total changes from financing cash flows	(27)	1,195	(1,717)	(549)
The effect of changes in foreign exchange rates	(4)	(438)	4	(438)
Other changes				
Liability-related				
Interest paid (operating activities)	–	–	(1,031)	(1,031)
Interest expenses	–	–	2,744	2,744
Total liability-related other changes	–	–	1,713	1,713
Balance at 31 December 2017	28	43,853	256	44,137

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Year ended 31 December 2018

14 Loans and borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	Liabilities			
	Finance lease liabilities $'000	Unsecured bank loans $'000	Interest Payable $'000	Total $'000
Balance at 1 January 2018	28	43,853	256	44,137
Changes from financing cash flows				
Payment of finance lease liabilities	(26)	–	–	(26)
Repayment of borrowings	–	(16,650)	–	(16,650)
Proceeds from borrowings	–	9,077	–	9,077
Interest paid	–	–	(1,542)	(1,542)
Total changes from financing cash flows	(26)	(7,573)	(1,542)	(9,141)
The effect of changes in foreign exchange rates	1	(513)	14	(498)
Other changes				
Liability-related				
Interest paid (operating activities)	–	–	(1,063)	(1,063)
New finance leases	63	–	–	63
Interest expenses	–	–	2,833	2,833
Total liability-related other changes	63	–	1,770	1,833
Balance at 31 December 2018	66	35,767	498	36,331

15 Employee benefits

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Liability for defined benefit obligations	552	588	–
Liability for short-term accumulating compensated absences	160	249	713
	712	837	713

Liability for defined benefit obligations

The Group contributes to a post-employment defined benefit plan due to statutory requirements in a jurisdiction. Employees of the subsidiary with at least one year or more service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination.

This defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

The defined benefit plan is fully funded by the Group's subsidiary. Employees are not required to contribute to the plan.

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15 Employee benefits (cont'd)

Movement in net defined benefit/(asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/(asset) and its components.

	Defined benefit obligation $'000	Fair value of plan asset $'000	Net defined benefit liability (asset) $'000
Group			
2018			
Balance as at 1 January	913	(325)	588
Included in profit or loss			
Current service cost	289	–	289
Interest cost/(income)	28	(21)	7
	317	(21)	296
Included in Other Comprehensive Income			
Remeasurement loss/(gain):			
- Actuarial loss/(gain) arising from:			
- financial assumptions	(96)	–	(96)
- experience adjustment	91	–	91
- Return on plan assets excluding interest income	–	18	18
Effect of movements in exchange rates	(19)	7	(12)
	(24)	25	1
Other			
Benefits paid	(333)	–	(333)
Balance as at 31 December	873	(321)	552
2017			
Balance as at 1 January	–	–	–
Included in profit or loss			
Current service cost	774	–	774
Interest cost/(income)	29	(28)	1
	803	(28)	775
Included in Other Comprehensive Income			
Remeasurement loss/(gain):			
- Actuarial loss/(gain) arising from:			
- financial assumptions	(20)	–	(20)
- experience adjustment	262	–	262
- Return on plan assets excluding interest income	–	26	26
Effect of movements in exchange rates	20	(1)	19
	262	25	287
Other			
Contributions paid by the employer	–	(376)	(376)
Benefits paid	(152)	54	(98)
	(152)	(322)	(474)
Balance as at 31 December	913	(325)	588

Notes to The Financial Statements

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15 Employee benefits (cont'd)

Plan asset

Plan asset comprises:

	Group	
	2018	2017
	$'000	$'000
Fixed deposits	325	321

Principal actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted-averages):

	Group		
	2018	2017	1 January 2017
	%	%	%
Discount rate at 31 December	2.84	3.34	–
Salary increase rate	3.00	4.12	–

Assumptions regarding death rates are based on published statistics by the Korea Insurance Development Institute.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation					
	2018		2017		1 January 2017	
	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Discount rate (1% movement)	(75)	88	(79)	93	–	–
Salary increase rate (1% movement)	87	(75)	93	(80)	–	–
Death rate	(1)	1	(3)	3	–	–

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to The Financial Statements

Year ended 31 December 2018

16 Trade and other payables

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	17,455	16,564	14,216	9,128	6,871	4,626
Accrued expenses	4,177	4,291	4,755	1,408	1,360	1,603
Other payables	248	889	358	130	723	226
Interest payable	498	256	256	445	205	215
Amount due to a director, non-trade	77	41	45	–	–	–
	22,455	22,041	19,630	11,111	9,159	6,670

Amount due to a director is unsecured, interest free and repayable on demand.

The Group's and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 24.

17 Revenue

	Group	
	2018	2017
	$'000	$'000
Sales of goods, net of returns, trade discounts and volume rebates	216,106	216,623

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Nature of goods or services	Import and export, and distribution of automotive parts.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	For cash sales, payment is due when goods are delivered to the customers. For credit sales, the payment terms vary on the credit terms granted to individual customers. The credit terms range from 3 to 120 days from invoice date.

Notes to The Financial Statements

Year ended 31 December 2018

17 Revenue (cont'd)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical (see note 25).

	2018 $'000	2017 $'000
Primary geographical markets		
Singapore	21,002	19,016
Malaysia	48,562	47,134
Australia	44,579	51,455
Thailand	18,413	15,879
South Korea	38,293	34,272
Other countries	45,257	48,867
	216,106	216,623

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

		Group			Company		
	Note	2018 $'000	2017 $'000	1 January 2017 $'000	2018 $'000	2017 $'000	1 January 2017 $'000
Trade receivables	11	32,076	30,033	30,907	13,912	10,379	12,665
Contract liabilities		(1,073)	(1,395)	(2,032)	(1,059)	(1,382)	(2,012)

The contract liabilities primarily relate to advance consideration received from customers for sale of goods.

Significant changes in the contract liabilities balances during the year is as follows:

	Group	
	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balances at the beginning of the year	416	673
Increases due to cash received, excluding amounts recognised as revenue during the year	(93)	(36)

Notes to The Financial Statements

Year ended 31 December 2018

18 Finance costs

	Group 2018 $'000	Group 2017 $'000
Financial liabilities measured at amortised cost – interest expense:		
- bank loans	1,677	1,715
- bills payable and trust receipts	1,153	1,027
- finance lease liabilities	3	2
	2,833	2,744

19 Tax expense

	Group 2018 $'000	Group 2017 $'000
Current tax		
Current year	578	855
Over provision for prior years	(13)	(40)
Withholding tax	79	53
	644	868
Deferred tax		
Origination and reversal of temporary differences	49	34
Over provision for prior years	(4)	(2)
	45	32
Tax expense	689	900
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(395)	1,694
Tax using the Singapore tax rate of 17% (2017: 17%)	(67)	288
Effect of tax rates in foreign jurisdictions	83	221
Non-deductible expenses	66	310
Tax exempt income	(50)	(191)
Others	–	3
Current year losses for which no deferred tax asset was recognised	595	258
Over provision for prior years, net	(17)	(42)
Withholding tax	79	53
	689	900

Notes to The Financial Statements

Year ended 31 December 2018

20 Profit for the year

The following items have been included in arriving at profit for the year:

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees paid/payable to:			
- auditors of the Company		173	160
- other auditors		164	143
Non-audit fees paid/payable to:			
- auditors of the Company		–	28
- other auditors		55	61
Impairment losses/ (Reversal of impairment losses) on trade receivables	24	94	(195)
Directors' fees		603	603
Foreign exchange loss/(gain)		6	(734)
Gain on disposal of plant and equipment		(18)	(19)
Inventories written down	10	488	177
Operating lease expense		5,288	5,251
Interest income		(28)	(35)
Rental income		(3)	(2)
Included in staff costs:			
- contributions to defined contribution plans		1,896	1,911
- expenses related to defined benefits plan	15	296	775

21 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the loss attributable to ordinary shareholders of $1,144,000 (2017: profit of $725,000), and a weighted average number of ordinary shares outstanding of 87,265,029 (2017: 87,265,029), calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

	2018 $'000	2017 $'000
(Loss)/Profit attributable to ordinary shareholders	(1,144)	725

Notes to The Financial Statements

Year ended 31 December 2018

21 Earnings per share (cont'd)

Weighted-average number of ordinary shares

	2018 Number of shares ('000)	2017 Number of shares ('000)
Weighted-average number of ordinary shares at 1 January and 31 December	87,265	87,265

The Company did not have any stock options or dilutive potential ordinary shares during the years ended 31 December 2018 and 2017.

22 Related parties

Transactions with key management personnel

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and senior managers of the Company and the general managers of the significant subsidiaries are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2018 $'000	2017 $'000
Short-term employee benefits	1,478	1,713
Post-employment benefits	70	74
	1,548	1,787

Other related party transactions

During the year, other than those as disclosed elsewhere in the financial statements, the following significant related party transactions are carried out in the normal course of business on terms agreed between the parties:

	Group	
	2018 $'000	2017 $'000
Associate		
- Sales	52	102
- Purchase	1	–

23 Operating leases

Leases as lessee

Non-cancellable operating lease rentals for office, warehouse, retail outlets and vehicles are payable as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within one year	4,554	4,268	1,775	1,712
Between one and five years	4,789	5,187	1,563	3,287
	9,343	9,455	3,338	4,999

The leases for offices and retail outlets typically run for a period of two to three years with an option to renew the lease after that date.

24 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Group has in place an Enterprise Risk Management ("ERM") framework, which governs the risk management process in the Group. The ERM framework enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. Risk management policies and systems are reviewed by the Enterprise Risk Management Committee regularly and reported to the Board of Directors twice a year. Management is responsible for implementing the risk management process as well as a Group-wide system of internal controls.

The Board of Directors reviews the adequacy and effectiveness of the ERM framework against recommended practices in risk management and vis-a-vis the external and internal environment where the Group operates in. The Audit Committee, assisted by internal audit, reviews the adequacy and effectiveness of internal control measures identified from the ERM framework. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets in the statements of financial position represent the Group and the Company's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2018 $'000	2017 $'000
Impairment losses/(Reversal of impairment losses) on trade receivables	94	(195)

Trade receivables

Risk management policy

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit quality of a customer is assessed after taking into account its financial position and past experience with the customer. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for individual and corporate customers respectively. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, trade history with the Group, aging profile and existence of previous financial difficulties.

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of distribution activities and sell in a variety of territories.

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Trade receivables (cont'd)

Exposure to credit risk

A summary of the Group's and the Company's exposures to credit risk for trade and other receivables are as follows:

	2018		31 December 2017	1 January 2017
	Not credit-impaired	Credit-impaired		
	$'000	$'000	$'000	$'000
Group				
No credit terms	2,760	–	2,232	2,613
Not past due	21,091	–	19,678	21,272
Past due 0 – 30 days	5,648	–	6,280	6,624
Past due 31 – 120 days	4,951	25	3,735	2,769
Past due more than 120 days	568	5,831	6,042	6,440
Total gross carrying amount	35,018	5,856	37,967	39,718
Loss allowance	(182)	(5,856)	(5,702)	(6,198)
	34,836	–	32,265	33,520
Company				
No credit terms	832	–	477	780
Not past due	11,836	–	10,721	14,694
Past due 0 – 30 days	3,242	–	3,740	4,067
Past due 31 – 120 days	5,715	–	3,837	2,926
Past due more than 120 days	9,043	5,213	12,767	12,729
Total gross carrying amount	30,668	5,213	31,542	35,196
Loss allowance	(121)	(5,213)	(5,137)	(5,700)
	30,547	–	26,405	29,496

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Comparative information under FRS 39

An analysis of the ageing of trade and other receivables that were not impaired is as follows:

	Group		Company	
	31 December 2017	**1 January 2017**	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**	**$'000**
No credit terms	2,232	2,613	477	780
Not past due	19,678	21,272	10,721	14,694
Past due 0 – 30 days	6,280	6,624	3,740	4,067
Past due 31 – 120 days	3,702	2,767	3,837	2,926
Past due more than 120 days	373	244	7,630	7,029
Total not impaired loans due from subsidiaries, trade and other receivables	32,265	33,520	26,405	29,496

The Group's and the Company's impaired trade and other receivables at 31 December 2017 had a gross carrying amount of $5,702,000 and $5,137,000 respectively (1 January 2017: $6,198,000 and $5,700,000 respectively). Trade receivables of the Group and the Company include an amount of $4,607,000 (2017: $4,548,000; 1 January 2017: $4,842,000) due from Tye Soon (Xiamen) Co. Ltd. against which a full allowance for impairment losses was made in previous financial years. The remainder of the impairment losses of the Group and the Company as at 31 December 2017 related to several customers with financial difficulties.

Expected credit loss assessment for trade and other receivables as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade and other receivables.

The allowance matrix is based on actual credit loss experience over the past five years. The ECL computed is purely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date. These rates are adjusted by scalar factors which are numeric reflections of differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. These scalar factors are calculated using statistical models that determine numeric co-relation of loss rates with relevant economic variables.

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Expected credit loss assessment for trade and other receivables as at 1 January and 31 December 2018 (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2018:

	Group			
	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
No credit terms	0.00	2,760	–	No
Current (not past due)	0.14	21,091	(30)	No
1 – 30 days past due	0.44	5,648	(25)	No
31 – 120 days past due	1.85	4,976	(92)	No
More than 120 days past due	92.06	6,399	(5,891)	Yes
		40,874	(6,038)	

	Company			
	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
No credit terms	0.00	832	–	No
Current (not past due)	0.21	11,836	(25)	No
1 – 30 days past due	0.59	3,242	(19)	No
31 – 120 days past due	1.00	5,715	(57)	No
More than 120 days past due	36.71	14,256	(5,233)	Yes
		35,881	(5,334)	

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Movements in allowance for impairment in respect of loans due from subsidiaries, trade and other receivables

The movement in the allowance for impairment losses in respect of trade and other receivables during the year was as follows:

	Group	Company
	$'000	$'000
At 1 January 2017 per FRS 39	6,198	5,700
Reversal of impairment loss	(195)	(269)
Amounts written off	(16)	–
Effect of movements in exchange rates	(285)	(294)
At 31 December 2017 per FRS 39	5,702	5,137

	Group	Company
	Lifetime ECL	Lifetime ECL
	$'000	$'000
At 1 January 2018 per FRS 39	5,702	5,137
Adjustment on initial application of SFRS(I) 9	197	140
At 1 January 2018 per SFRS(I) 9	5,899	5,277
Impairment loss recognised	94	–
Reversal of impairment loss	–	(2)
Amounts written off	(10)	–
Effect of movements in exchange rates	55	59
At 31 December 2018 per SFRS(I) 9	6,038	5,334

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Movements in allowance for impairment in respect of loans due from subsidiaries, trade and other receivables (cont'd)

Exposure to credit risk

A summary of the Company's exposures to credit risk for loans and non-trade amount due from subsidiaries are as follows:

	Note	Company		
		2018	**2017**	**1 January 2017**
		$'000	**$'000**	**$'000**
Loans due from subsidiaries	5	24,688	25,234	24,672
Impairment losses	5	(2,084)	(1,983)	(1,832)
		22,604	23,251	22,840
Non-trade amount due from subsidiaries		26,165	25,689	25,610
Impairment losses		(1,020)	(739)	(693)
	11	25,145	24,950	24,917

Expected credit loss assessment for loans and non-trade amount due from subsidiaries as at 1 January and 31 December 2018

The Company provides for lifetime expected credit losses for loans and non-trade amount due from subsidiaries. The estimated recoverable amount of its subsidiaries was determined based on the fair value less costs to sell, which approximate the net current assets of the subsidiaries, which comprise predominantly monetary items.

The movement in the allowance for impairment losses in respect of loans and non-trade amount due from subsidiaries during the year were as follows:

	Company
	Lifetime ECL
	$'000
At 1 January 2017 per FRS 39	2,525
Impairment loss recognised	197
At 31 December 2017 per FRS 39	2,722
At 1 January 2018 per FRS 39	2,722
Adjustment on initial application of SFRS(I) 9	199
At 1 January 2018 per SFRS(I) 9	2,921
Impairment loss recognised	183
At 31 December 2018 per SFRS(I) 9	3,104

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries' liabilities. At 31 December 2018, the Company has issued guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 14).

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $14,705,000 and $6,116,000 respectively at 31 December 2018 (2017: $15,391,000 and $4,444,000; 1 January 2017: $13,372,000 and $3,969,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AAA to Baa1 based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

12-month probabilities of default are based on data supplied by Moody for each credit rating. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a bank or financial services company is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

- $1.2 million overdraft facility that is unsecured.
- $114.6 million facility that is unsecured and can be drawn down to meet short-term financing needs.

24 Financial risk management (cont'd)

Liquidity risk (cont'd)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			Cash flows			
	Note	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 - 12 months $'000	1 - 2 years $'000
Group						
2018						
Non-derivative financial liabilities						
Finance lease liabilities	14	66	(71)	(18)	(16)	(37)
Unsecured bank loans	14	35,767	(36,036)	(36,036)	–	–
Bills payable and trust receipts	14	43,316	(43,955)	(43,955)	–	–
Trade and other payables	16	22,455	(22,455)	(22,455)	–	–
		101,604	(102,517)	(102,464)	(16)	(37)
2017						
Non-derivative financial liabilities						
Finance lease liabilities	14	28	(29)	(8)	(8)	(13)
Unsecured bank loans	14	43,853	(43,914)	(43,914)	–	–
Bills payable and trust receipts	14	34,650	(34,914)	(34,914)	–	–
Trade and other payables	16	22,041	(22,041)	(22,041)	–	–
		100,572	(100,898)	(100,877)	(8)	(13)
Company						
2018						
Non-derivative financial liabilities						
Unsecured bank loans	14	34,349	(34,611)	(34,611)	–	–
Bills payable and trust receipts	14	33,541	(34,027)	(34,027)	–	–
Trade and other payables	16	11,111	(11,111)	(11,111)	–	–
Recognised financial liabilities		79,001	(79,749)	(79,749)	–	–
Intragroup financial guarantees (unrecognised)	14	–	(21,103)	(21,103)	–	–
		79,001	(100,852)	(100,852)	–	–
2017						
Non-derivative financial liabilities						
Unsecured bank loans	14	40,884	(40,932)	(40,932)	–	–
Bills payable and trust receipts	14	25,978	(26,134)	(26,134)	–	–
Trade and other payables	16	9,159	(9,159)	(9,159)	–	–
Recognised financial liabilities		76,021	(76,225)	(76,225)	–	–
Intragroup financial guarantees (unrecognised)	14	–	(20,366)	(20,366)	–	–
		76,021	(96,591)	(96,591)	–	–

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Year ended 31 December 2018

24 Financial risk management (cont'd)

Liquidity risk (cont'd)

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.

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest 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.

Currency risk

Risk management policy

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Euro, the United States dollar, the Hong Kong dollar, the Japanese Yen, the Australian dollar, the Malaysia ringgit, the Thai Baht, and the Korean Won.

In respect of other monetary assets and liabilities held in currencies other than the respective functional currencies of Group entities, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

24 Financial risk management (cont'd)

Currency risk (cont'd)

Exposure to currency risk

The Group's and Company's exposures to significant foreign currencies are as follows:

	Euro $'000	United States dollar $'000	Hong Kong dollar $'000	Japanese Yen $'000	Australian dollar $'000	Malaysia Ringgit $'000	Thai Baht $'000	Korean Won $'000
Group								
2018								
Trade and other receivables	63	4,117	–	4,611	–	–	–	–
Amounts due from subsidiaries *	63	1,307	4,507	–	7,443	12,075	1,129	10,212
Cash in hand and at bank	568	1,095	–	231	42	15	1	–
Equity investment at FVOCI	–	–	–	–	–	815	–	–
Unsecured bank loans	–	–	(3,310)	–	(7,039)	–	–	–
Bills payable and trust receipts	–	(6,201)	–	(1,283)	–	–	–	–
Trade and other payables	(2,522)	(2,019)	–	(4,371)	–	–	(85)	–
	(1,828)	(1,701)	1,197	(812)	446	12,905	1,045	10,212
2017								
Trade and other receivables	109	1,171	–	3,236	–	–	–	–
Amounts due from subsidiaries*	–	1,107	4,379	–	8,608	11,697	1,130	10,140
Cash in hand and at bank	91	516	–	877	195	16	3	–
Available-for-sale financial asset	–	–	–	–	–	815	–	–
Unsecured bank loans	(799)	–	(3,251)	–	(9,534)	–	–	–
Bills payable and trust receipts	–	(3,638)	–	(3,790)	–	–	–	–
Trade and other payables	(1,798)	(1,157)	–	(3,137)	–	–	–	–
	(2,397)	(2,001)	1,128	(2,814)	(731)	12,528	1,133	10,140

* Excluding amounts owing by subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future.

24 Financial risk management (cont'd)

Currency risk (cont'd)

Exposure to currency risk (cont'd)

	Euro $'000	United States dollar $'000	Hong Kong dollar $'000	Japanese Yen $'000	Australian dollar $'000	Malaysia Ringgit $'000	Thai Baht $'000	Korean Won $'000
Company								
2018								
Trade and other receivables	63	4,117	–	4,611	–	–	–	–
Amounts due from subsidiaries	63	1,307	4,507	–	11,757	18,672	1,885	20,028
Cash in hand and at bank	568	1,095	–	231	42	15	1	–
Equity investment at FVOCI	–	–	–	–	–	815	–	–
Unsecured bank loans	–	–	(3,310)	–	(7,039)	–	–	–
Bills payable and trust receipts	–	(6,201)	–	(1,283)	–	–	–	–
Trade and other payables	(2,411)	(1,606)	–	(4,371)	–	–	(85)	–
	(1,717)	(1,288)	1,197	(812)	4,760	19,502	1,801	20,028
2017								
Trade and other receivables	109	1,171	–	3,236	–	–	–	–
Amounts due from subsidiaries	–	1,107	4,379	–	13,270	18,293	1,868	20,140
Cash in hand and at bank	91	516	–	877	195	16	3	–
Available-for-sale financial asset	–	–	–	–	–	815	–	–
Unsecured bank loans	(799)	–	(3,251)	–	(9,534)	–	–	–
Bills payable and trust receipts	–	(3,638)	–	(3,790)	–	–	–	–
Trade and other payables	(1,316)	(1,150)	–	(3,137)	–	–	–	–
	(1,915)	(1,994)	1,128	(2,814)	3,931	19,124	1,871	20,140

24 Financial risk management (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A strengthening of the Singapore dollar against the following currencies at 31 December would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

		Group		Company	
	Strengthening	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
	%	**$'000**	**$'000**	**$'000**	**$'000**
2018					
Euro	10%	183	–	172	–
US dollar	10%	170	–	129	–
Hong Kong dollar	10%	(120)	–	(120)	–
Japanese Yen	10%	81	–	81	–
Australian dollar	10%	(45)	–	(476)	–
Malaysia Ringgit	10%	(1,210)	(81)	(1,869)	(81)
Thai Baht	10%	(105)	–	(180)	–
Korean Won	10%	(1,021)	–	(2,003)	–
2017					
Euro	10%	240	–	192	–
US dollar	10%	200	–	199	–
Hong Kong dollar	10%	(113)	–	(113)	–
Japanese Yen	10%	281	–	281	–
Australian dollar	10%	73	–	(393)	–
Malaysia Ringgit	10%	(1,172)	(81)	(1,831)	(81)
Thai Baht	10%	(113)	–	(187)	–
Korean Won	10%	(1,014)	–	(2,014)	–

A weakening of the Singapore dollar against the above currencies at 31 December 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.

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Year ended 31 December 2018

24 Financial risk management (cont'd)

Interest rate risk

The Group's and the Company's exposure to changes in interest rates relates primarily to finance lease liabilities, bills payable, trust receipts and unsecured bank loans.

Profile

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

	Group		Company	
	Carrying amount		Carrying amount	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Loans and borrowings	79,149	78,531	67,890	66,862

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, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

24 Financial risk management (cont'd)

Accounting classifications and fair values

Fair value versus carrying amounts

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 liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Amortised cost $'000	Equity investment at FVOCI $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2018									
Financial assets not measured at fair value									
Trade and other receivables #	11	34,836	–	–	34,836				
Cash and cash equivalents		14,705	–	–	14,705				
		49,541	–	–	49,541				
Financial asset measured at fair value									
Equity investment – at FVOCI	7	–	815	–	815	–	–	815	815
Financial liabilities not measured at fair value									
Unsecured bank loans	14	–	–	35,767	35,767				
Bills payable and trust receipts	14	–	–	43,316	43,316				
Trade and other payables	16	–	–	22,455	22,455				
		–	–	101,538	101,538				

	Note	Loan and receivables $'000	Available-for-sale financial asset $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2017									
Financial assets not measured at fair value									
Trade and other receivables #	11	32,265	–	–	32,265				
Cash and cash equivalents		15,391	–	–	15,391				
		47,656	–	–	47,656				
Financial asset measured at fair value									
Available-for-sale financial asset	7	–	815	–	815	–	–	815	815
Financial liabilities not measured at fair value									
Unsecured bank loans	14	–	–	43,853	43,853				
Bills payable and trust receipts	14	–	–	34,650	34,650				
Trade and other payables	16	–	–	22,041	22,041				
		–	–	100,544	100,544				

24 Financial risk management (cont'd)

Accounting classifications and fair values (cont'd)

Fair value versus carrying amounts (cont'd)

	Note	Carrying amount: Amortised cost $'000	Carrying amount: Equity investment at FVOCI $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
Company									
31 December 2018									
Financial assets not measured at fair value									
Trade and other receivables #	11	55,692	–	–	55,692				
Cash and cash equivalents		6,116	–	–	6,116				
		61,808	–	–	61,808				
Financial asset measured at fair value									
Equity investment – at FVOCI	7	–	815	–	815	–	–	815	815
Financial liabilities not measured at fair value									
Unsecured bank loans	14	–	–	34,349	34,349				
Bills payable and trust receipts	14	–	–	33,541	33,541				
Trade and other payables	16	–	–	11,111	11,111				
		–	–	79,001	79,001				

	Note	Loan and receivables $'000	Available-for-sale financial asset $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company									
31 December 2017									
Financial assets not measured at fair value									
Trade and other receivables #	11	51,355	–	–	51,355				
Cash and cash equivalents		4,444	–	–	4,444				
		55,799	–	–	55,799				
Financial asset measured at fair value									
Available-for-sale financial asset	7	–	815	–	815	–	–	815	815
Financial liabilities not measured at fair value									
Unsecured bank loans	14	–	–	40,884	40,884				
Bills payable and trust receipts	14	–	–	25,978	25,978				
Trade and other payables	16	–	–	9,159	9,159				
		–	–	76,021	76,021				

#: Excludes prepayments

Notes to The Financial Statements

Year ended 31 December 2018

24 Financial risk management (cont'd)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Equity investment at FVOCI (2017: Available-for-sale financial asset	Please refer to the description at note 7.	Net asset value	The estimated fair value would increase/(decrease) if net asset value for unquoted equity security was higher/(lower).

(ii) Level 3 fair value

There were no changes on the opening balance and closing balance for Level 3 fair value.

Equity price risk

The Group and the Company are exposed to equity price changes arising from unquoted equity investment at FVOCI (2017: quoted equity investment available-for-sale). A change in the revalued net asset values of unquoted equity investment at FVOCI at the reporting date by 10% (2017: 10%) for the Group and the Company, respectively, would impact other components of equity (before any tax effect) by the amount shown below.

This analysis assumes that all other variables remain constant.

Equity investment

	Increase by 10%	Decrease by 10%
	Group and Company	
	$'000	$'000
2018		
Unquoted equity investment at FVOCI		
Equity	82	(82)
2017		
Unquoted equity investment available-for-sale		
Equity	82	(82)

Notes to The Financial Statements

Year ended 31 December 2018

25 Operating segments

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that is regularly reviewed by the Group's chief operating decision maker for the purpose of allocating resources to the segment and assessing its performance.

The Group is principally engaged in one segment which relates to the distribution of automotive parts. Accordingly, no segmental information is presented based on business segment.

Geographical information

In presenting information on the basis of geographical segment, segment revenue is based on geographical location of the customers which the sales are made to regardless of where the sales originate. Segment assets are based on the geographical location of the assets.

	Singapore $'000	Malaysia $'000	Australia $'000	Thailand $'000	South Korea $'000	Others $'000	Total $'000
2018							
Total revenue from external customers	21,002	48,562	44,579	18,413	38,293	45,257	216,106
Non-current assets (i)	740	257	506	1	296	104	1,904
2017							
Total revenue from external customers	19,016	47,134	51,455	15,879	34,272	48,867	216,623
Non-current assets (i)	938	310	742	1	330	79	2,400

(i) Non-current assets presented consist of plant and equipment, goodwill and associate.

Major customer

For the years ended 31 December 2018 and 2017, there was no single customer that contributed to 10% or more of the Group's revenue.

26 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. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 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).

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

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.

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;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9 and SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 9 and SFRS(I) 15 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

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

	31 December 2017			1 January 2018	
	FRS Framework	SFRS(I) 15	SFRS(I) Framework	SFRS(I) 9	SFRS(I) Framework
	$'000	$'000	$'000	$'000	$'000
Assets					
Plant and equipment	1,987	–	1,987	–	1,987
Goodwill on consolidation	104	–	104	–	104
Associate	309	–	309	–	309
Other investment	815	–	815	–	815
Deferred tax assets	1,235	–	1,235	–	1,235
Non-current assets	4,450	–	4,450	–	4,450
Current tax assets	198	–	198	–	198
Inventories	106,263	–	106,263	–	106,263
Trade and other receivables	32,944	–	32,944	(197)	32,747
Cash and cash equivalents	15,391	–	15,391	–	15,391
Current assets	154,796	–	154,796	(197)	154,599
Total assets	159,246	–	159,246	(197)	159,049
Equity					
Share capital	38,057	–	38,057	–	38,057
Reserves	17,722	–	17,722	(197)	17,525
Equity attributable to owners of the Company	55,779	–	55,779	(197)	55,582
Non-controlling interests	322	–	322	–	322
Total equity	56,101	–	56,101	(197)	55,904
Liabilities					
Loans and borrowings	13	–	13	–	13
Employee benefits	837	–	837	–	837
Deferred tax liabilities	40	–	40	–	40
Non-current liabilities	890	–	890	–	890
Loans and borrowings	78,518	–	78,518	–	78,518
Trade and other payables	23,436	(1,395)	22,041	–	22,041
Contract liabilities	–	1,395	1,395	–	1,395
Current tax liabilities	301	–	301	–	301
Current liabilities	102,255	–	102,255	–	102,255
Total liabilities	103,145	–	103,145	–	103,145
Total equity and liabilities	159,246	–	159,246	(197)	159,049

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

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

	1 January 2017		
	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000
Assets			
Plant and equipment	2,362	–	2,362
Goodwill on consolidation	105	–	105
Associate	353	–	353
Other investment	765	–	765
Deferred tax assets	1,273	–	1,273
Non-current assets	4,858	–	4,858
Current tax assets	241	–	241
Inventories	110,210	–	110,210
Trade and other receivables	34,140	–	34,140
Cash and cash equivalents	13,372	–	13,372
Current assets	157,963	–	157,963
Total assets	162,821	–	162,821
Equity			
Share capital	38,057	–	38,057
Reserves	17,090	–	17,090
Equity attributable to owners of the Company	55,147	–	55,147
Non-controlling interests	258	–	258
Total equity	55,405	–	55,405
Liabilities			
Loans and borrowings	31	–	31
Employee benefits	713	–	713
Deferred tax liabilities	39	–	39
Non-current liabilities	783	–	783
Loans and borrowings	84,926	–	84,926
Current tax liabilities	45	–	45
Trade and other payables	21,662	(2,032)	19,630
Contract liabilities	–	2,032	2,032
Current liabilities	106,633	–	106,633
Total liabilities	107,416	–	107,416
Total equity and liabilities	162,821	–	162,821

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

Reconciliation of the Company's equity
Statement of financial position for the Company

	31 December 2017			1 January 2018	
	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000
Assets					
Plant and equipment	629	–	629	–	629
Subsidiaries	25,822	–	25,822	–	25,822
Associate	162	–	162	–	162
Other investment	815	–	815	–	815
Deferred tax assets	–	–	–	–	–
Loan receivables	–	–	–	–	–
Non-current assets	27,428	–	27,428	–	27,428
Inventories	36,060	–	36,060	–	36,060
Trade and other receivables	51,503	–	51,503	(339)	51,164
Cash and cash equivalents	4,444	–	4,444	–	4,444
Current assets	92,007	–	92,007	(339)	91,668
Total assets	119,435	–	119,435	(339)	119,096
Equity					
Share capital	38,057	–	38,057	–	38,057
Reserves	3,975	–	3,975	(339)	3,636
Equity attributable to owners of the Company	42,032	–	42,032	(339)	41,693
Non-controlling interests	–	–	–	–	–
Total equity	42,032	–	42,032	(339)	41,693
Liabilities					
Loans and borrowings	–	–	–	–	–
Employee benefits	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–
Non-current liabilities	–	–	–	–	–
Loans and borrowings	66,862	–	66,862	–	66,862
Contract liabilities	–	1,382	1,382	–	1,382
Trade and other payables	10,541	(1,382)	9,159	–	9,159
Current liabilities	77,403	–	77,403	–	77,403
Total liabilities	77,403	–	77,403	–	77,403
Total equity and liabilities	119,435	–	119,435	(339)	119,096

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

Reconciliation of the Company's equity (cont'd)
Statement of financial position for the Company (cont'd)

	1 January 2017		
	FRS Framework $'000	SFRS(I) 15 $'000	SFRS(I) Framework $'000
Assets			
Plant and equipment	620	–	620
Subsidiaries	25,411	–	25,411
Associate	162	–	162
Other investment	765	–	765
Non-current assets	26,958	–	26,958
Inventories	37,832	–	37,832
Trade and other receivables	54,615	–	54,615
Cash and cash equivalents	3,969	–	3,969
Current assets	96,416	–	96,416
Total assets	123,374	–	123,374
Equity			
Share capital	38,057	–	38,057
Reserves	3,181	–	3,181
Equity attributable to owners of the Company	41,238	–	41,238
Total equity	41,238	–	41,238
Loans and borrowings	73,454	–	73,454
Contract liabilities	–	2,012	2,012
Trade and other payables	8,682	(2,012)	6,670
Current liabilities	82,136	–	82,136
Total liabilities	82,136	–	82,136
Total equity and liabilities	123,374	–	123,374

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. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

B 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. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
  - The designation of an equity investment that is not held-for-trading as at FVOCI.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(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.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3.

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

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	 New carrying amount under SFRS(I) 9 $'000
Financial assets					
Other investment	(a)	Available-for-sale	FVOCI – equity instrument	815	815
Trade and other receivables	(b)	Loans and receivables	Amortised cost	32,265	32,068
Cash and cash equivalents	(b)	Loans and receivables	Amortised cost	15,391	15,391
Total financial assets				48,471	48,274

Company	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	 New carrying amount under SFRS(I) 9 $'000
Financial assets					
Other investment	(a)	Available-for-sale	FVOCI – equity instrument	815	815
Loans due from subsidiaries	(b)	Loans and receivables	Amortised cost	23,251	23,251
Trade and other receivables	(b)	Loans and receivables	Amortised cost	51,355	51,016
Cash and cash equivalents	(b)	Loans and receivables	Amortised cost	4,444	4,444
Total financial assets				79,865	79,526

(a) This equity instrument represents investment that the Group and the Company intend to hold for long term strategic purposes. The Group and the Company have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables, cash and cash equivalents and loans due from subsidiaries that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of $197,000 and $339,000 in the allowance for impairment in trade and other receivables were recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to SFRS(I) 9.

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

(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 financial assets measured at amortised cost, and intra-group financial guarantee contracts, but not to equity investments.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately disclose in the notes to financial statements.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group $'000	Company $'000
Loss allowance at 31 December 2017 under FRS 39	5,702	7,859
Additional impairment recognised at 1 January 2018 on trade and other receivables as at 31 December 2017	197	339
Loss allowance at 1 January 2018 under SFRS(I) 9	5,899	8,198

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

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 24.

(iii) Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on retained earnings at 1 January 2018.

	Impact on adoption on SFRS(I) 9 at 1 January 2018	
	Group $'000	Company $'000
Retained earnings		
Closing balance under FRS 39 (31 December 2017)	19,819	3,389
Recognition of expected credit losses under SFRS(I) 9	(197)	(339)
Opening balance under SFRS(I) 9 (1 January 2018)	19,622	3,050

Notes to The Financial Statements

Year ended 31 December 2018

26 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

C 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.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively. There is no changes in the revenue recognition upon adoption of SFRS(I) 15. The Group recognise revenue at the point in time, i.e. when the customer obtains control of the goods.

Upon adoption of SFRS(I) 15, the Group and the Company has changed the presentation of 'Deposits and advances' classified as 'Trade and other payables' of $1,395,000 and $1,382,000 respectively as at 31 December 2017 and $2,032,000 and $2,012,000 respectively as at 1 January 2017 to 'Contract liabilities'.

27 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 application 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)
- *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*

Notes to The Financial Statements

Year ended 31 December 2018

27 New standards and interpretations not yet adopted (cont'd)

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 as 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) 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 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.

The Group 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 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) 17 and SFRS(I) INT 4. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 23). The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

(a) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 6% of the consolidated total assets and 9% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(b) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

Corporate Governance Report

1. CORPORATE GOVERNANCE STATEMENT

The board of directors ("Board") is committed to setting and maintaining a high standard of corporate governance in the spirit of the Code of Corporate Governance 2012 ("Code").

This statement ("Statement") outlines the main corporate governance practices adopted by the Company, with specific reference to the principles of the Code. The Board has adhered with the principles and guidelines of the Code, and any deviations will be specified in this Statement.

BOARD MATTERS

The Board's Conduct of its 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 success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The primary role of the Board is to ensure good governance so as to protect and enhance long-term shareholders' value. It provides entrepreneurial leadership, sets strategic aims, and ensures that the necessary financial and human resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives. The Board also establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets. The Board reviews Management's performance, sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and others are understood and met.

To assist in the execution of its responsibilities, the Board has established the Executive Committee ("EC"), the Audit Committee ("AC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Enterprise Risk Management Committee ("ERMC") (collectively, the "Board Committees").

Matters that require Board approval include material investment and divestment proposals, major corporate or financial restructuring, key operational initiatives, major fund-raising exercises, announcement of financial statements, audited financial statements, proposals of dividends and authorisation of material interested person transactions. Other matters are delegated by the Board to the Board Committees and monitored by the Board.

The Board meets at least twice a year and ad-hoc meetings are convened as and when they are deemed necessary. In addition to these meetings, corporate events and actions requiring Board approval were discussed over the telephone and resolutions passed by way of directors' resolutions in writing. Board and Board Committees also hold informal meetings and discussions amongst themselves and/or with Management from time to time. The Company's Constitution ("Constitution") provides for telephonic and videoconference meetings.

Corporate Governance Report

The number of Board and Board Committees meetings held during the financial year ended 31 December 2018 and the attendances of the directors at these meetings are set out below:

			Board Committees									
	Board		Audit		Nominating		Remuneration		Executive		Enterprise Risk Management	
Name of Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Ong Hock Siang @ Ong Huat Seong	2	2	2	2*	2	2	2	2*	13	13	2	2
Ong Huat Kee	2	2	2	2*	2	2	2	2*	13	12*	2	2
Ong Huat Yew, Peter	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Huat Choo	2	1	2	1*	2	1*	2	1*	13	12*	2	2
David Chong Tek Yew	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Eng Waey, Abel	2	1	2	1*	2	1*	2	1*	–	–	–	–
Ong Lay May, Apple	2	2	2	2*	2	2*	2	2*	13	10*	2	2
Ong Eng Chian, Kelvin	2	2	2	2*	2	2*	2	2*	13	13	2	2
Ong Eng Mien, Malcolm	2	2	2	2*	2	2*	2	2*	13	12*	2	2*
Hee Theng Fong	2	1	2	1	2	2	2	1	–	–	–	–
Lim Lee Meng	2	2	2	2	2	2	2	2	–	–	–	–
Tham Khuan Heng	2	2	2	2	2	2	2	2	–	–	–	–
Chen Timothy Teck Leng @ Chen Teck Leng	2	2	2	2	2	2	2	2	–	–	–	–

Notes : A - represents number of meetings held
B - represents number of attendances
* - by invitation

Newly appointed directors are briefed by Management on the Group's business activities, strategic directions, policies and the regulatory environment in which it operates, as well as their statutory and other duties and responsibilities as directors. When required, the Group provides appropriate training and education program for the new directors.

To ensure that the directors keep pace with regulatory changes that have important bearing on the Company's or directors' disclosure obligations, the directors are briefed on such changes during Board meetings or specially convened sessions by professionals. All directors are updated regularly concerning any changes in major Company policies. The non-executive directors can also request further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues from Management. The executive directors will make the necessary arrangements for the briefings, informal discussions or explanations required.

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.

Currently, the Board consists of four executive directors, five non-executive and non-independent directors and four independent directors (one of whom is a lead independent director). The number of independent directors represents 31% of the Board, nearly make up one-third of the Board. The Board considers the independent element on the Board to be unimpaired and believes that there are sufficient independent elements that enable the Board to discharge its duties and responsibilities.

Corporate Governance Report

Given the nature and scope of the Company's operations, the Board is of the view that its current size is sufficient and appropriate. The Board comprises suitably-qualified directors who provide the Company with a good balance of accounting, finance, legal and management's expertise and experience, complemented by sound industry knowledge.

The Board has four independent members, Mr Hee Theng Fong, Mr Lim Lee Meng, Ms Tham Khuan Heng and Mr Chen Timothy Teck Leng @ Chen Teck Leng. Ms Tham Khuan Heng is the lead independent director. The criterion for independence is based on the definition set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement. The Board has carried out its annual evaluation of the independence of each of the four independent directors, taking into account whether the directors are independent in character and judgement and are free from relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgement. Notwithstanding that three out of the four independent directors have served on the Board for more than nine years, the Board has rigorously reviewed and is unanimous in its evaluation that the three independent directors continue to exercise strong independent judgement after having reviewed and considered factors such as their conduct at Board level (where they have contributed effectively by providing objective views, raising valid questions and objectively challenging Management at the Board and Board Committee Meetings), their professionalism, lack of conflict of interests and the strong standings in their respective fields of expertise.

Non-executive directors and independent directors have no management functions in the Company or any of its subsidiaries. Although all the directors have equal responsibility for the performance of the Group, the role of the non-executive directors and independent directors are particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and take account of the long-term interests, not only of the shareholders of the Company ("Shareholders"), but also of the employees, customers and suppliers. Where necessary, non-executive directors and independent directors may meet without the presence of Management or executive directors to consider matters that must be raised privately.

The Board considers its independent directors to be of sufficient calibre and numbers, and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making process. The independent directors have no financial or contractual interests in the Group other than by way of their fees. Their service is not pensionable.

On 27 April 2018 and in compliance with guideline 2.2 of the Code, Mr Ong Hock Siang @ Ong Huat Seong stepped down as Executive Chairman and Mr Hee Theng Fong was appointed as Non-executive Chairman. Upon stepping down, Mr Ong remains as Executive director. Mr Hee remains an independent non-executive director.

Non-executive Chairman, President and Managing Director

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.

The Group keeps the posts of Non-executive Chairman, President and Managing Director separate. Mr Hee Theng Fong is the Non-executive and independent Chairman of the Board. Mr Ong Huat Yew, Peter is the President. Mr David Chong Tek Yew is the Managing Director. There is a clear division of responsibilities between the Non-executive Chairman, the President and the Managing Director, which ensures a balance of power and authority at the top tier of the Group.

The Non-executive Chairman's main responsibility to the Board is to lead the Board to ensure its effectiveness on all aspects of its role and set its agenda and ensure that adequate time is available for discussion of all agenda items, promote a culture of openness and debate at the Board, ensure that the directors receive complete, adequate and timely information, ensure effective communication with Shareholders, encourage constructive relations within the Board and between the Board and Management, facilitate the effective contribution of non-executive directors, in particular and promote high standards of corporate governance.

Corporate Governance Report

The President and the Managing Director are responsible for the implementation of the Group's strategies and policies and the conduct of the Group's day-to-day business.

The lead independent director and the independent directors meet periodically without the presence of the other directors and the lead independent director provides feedback to the Chairman after such meetings.

As no one individual holds considerable concentration of power, the Board is of the view that the objectives of the Code have been met.

Board Membership

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

The NC comprises six directors, four of whom are independent directors, one non-executive and non-independent director and one executive director. The independent directors who are members of the NC are Mr Chen Timothy Teck Leng @ Chen Teck Leng (Chairman), Mr Hee Theng Fong, Mr Lim Lee Meng, Ms Tham Khuan Heng and, while the non-executive and non-independent director is Mr Ong Huat Kee and the executive director is Mr Ong Hock Siang @ Ong Huat Seong.

The responsibilities of the NC include that of re-nomination of directors, having regard to each director's contribution and performance as well as annual determination of whether or not a director is considered independent for purposes of the Code.

The NC considers and makes recommendations to the Board concerning the appropriate size and needs of the Board, having regard to the appropriate skill mix, personal qualities and experience required for the effective performance of the Board. The NC considers and makes recommendations to the Board regarding the maximum number of listed company board representations each director may hold, having considered factors such as the director's ability to commit time and effort to the affairs of the Company, the competence of fellow directors, the strength of the management team, the types of listed companies involved, the frequency of meetings and the financial year end of the listed companies involved. The NC had recommended and the Board had approved, that the maximum number of listed company board representations each director may hold shall not be more than six. All of the directors have complied with this requirement.

The NC also recommends all appointments and retirement of directors and, where applicable, considers candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason. No member of the NC participated in deliberations or decisions on recommendations for his/her re-nomination to the Board.

Where there is a need to appoint a new director, suitable candidates are sourced through the contacts of the directors or Management or through other external sources. The NC will then assess the candidate's suitability based on certain objective criteria such as character, judgement, business experience and acumen, and makes its recommendation to the Board. Where a director has multiple board representations, the NC will evaluate whether or not a director is able to and has been adequately carrying out his or her duties as a director of the Company. Final approval of a candidate is determined by the Board.

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

(a) the geographical spread and diversity of the Group's businesses;

(b) the strategic direction and progress of the Group;

(c) the current composition of the Board; and

(d) the need for independence.

Corporate Governance Report

The Company's Constitution provides that at each annual general meeting of the Company, at least one-third of the directors for the time being shall retire from office by rotation. In addition, the Company's Constitution provides for all directors to retire from office at least once every three years. A retiring director is eligible for re-election at the annual general meeting. The NC has recommended the re-election of Mr Ong Eng Chian Kelvin, Mr Lim Lee Meng, Mr Hee Theng Fong and Mr Ong Eng Mien Malcolm as directors of the Company at the forthcoming annual general meeting.

The Company's Constitution provides that any director appointed by the Board shall hold office until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are retired by rotation under the above Constitution.

In the opinion of the NC and the Board, Mr Hee Theng Fong, Mr Lim Lee Meng, Ms Tham Khuan Heng and Mr Chen Timothy Teck Leng @ Chen Teck Leng are considered independent. For those directors who hold multiple board representations in public listed companies, the Board is of the view that such multiple representations will not affect their abilities to carry out their respective duties as directors of the Company.

As at the date of this report, the members of the Board and their details are set out below:

Name of director	Ong Hock Siang @ Ong Huat Seong	Ong Huat Kee	Ong Huat Yew, Peter	Ong Huat Choo
Brief write-up on background and working experience	Please refer to Group Management Team	Mr Ong is a Non-Executive and Non-Independent Director. Prior to December 2010, he was an Executive Director of the Company.	Please refer to Group Management Team	Mr Ong is a Non-Executive and Non-Independent Director. Prior to December 2010, he was the Deputy Managing Director/Executive Director of the Company.
Academic and professional qualifications	Bachelor of Economics and Political Science	Bachelor of Economics	–	–
Date of appointment/(last re-election)	19 November 1966 (27 April 2018)	23 August 1970 (27 April 2018)	23 August 1970 (26 April 2017)	20 September 1974 (26 April 2017)
Nature of appointment	Executive Director	Deputy Chairman/ Non-Executive and Non-Independent Director	President/ Executive Director	Non-Executive and Non-Independent Director
Board committees served	Member of EC, NC and ERMC	Member of NC and ERMC	Chairman of ERMC and Member of EC	Member of ERMC
Present directorships in listed companies	Tye Soon Limited	Tye Soon Limited	Tye Soon Limited	Tye Soon Limited
Past years directorships in listed companies	–	–	–	–

Corporate Governance Report

Name of director	David Chong Tek Yew	Ong Eng Waey, Abel	Ong Lay May, Apple	Ong Eng Mien, Malcolm	Ong Eng Chian, Kelvin
Brief write-up on background and working experience	Please refer to Group Management Team	Mr Ong is a Non-Executive and Non-Independent Director. Prior to March 2006, he was an Executive Director of the Company.	Ms Ong is a Non-Executive and Non-Independent Director. Prior to December 2010, she was an Executive Director of the Company.	Mr Ong has more than 25 years of sales and marketing experience in the pulp and paper industry primarily in the Asia and Pacific region. He was managing director of Bowater Asia Pte Ltd.	Please refer to Group Management Team
Academic and professional qualifications	Bachelor of Commerce, Chartered Accountant	Bachelor of Arts	Bachelor of Science	Bachelor of Business Administration - Finance	Bachelor of Engineering
Date of appointment/ (last re-election)	1 July 1998 (26 April 2017)	27 October 1993 (26 April 2017)	27 October 1993 (27 April 2018)	28 May 2015 (28 April 2016)	17 July 2006 (28 April 2016)
Nature of appointment	Managing Director	Non-Executive and Non-Independent Director	Non-Executive and Non-Independent Director	Non-Executive and Non-Independent Director	Deputy Managing Director
Board committees served	Member of EC and ERMC	–	Member of ERMC	–	Member of EC and ERMC
Present directorships in listed companies	Tye Soon Limited	Tye Soon Limited	Tye Soon Limited	Tye Soon Limited	Tye Soon Limited
Past years directorships in listed companies	–	–	–	–	–

Corporate Governance Report

Name of director	Hee Theng Fong	Lim Lee Meng	Chen Timothy Teck Leng @ Chen Teck Leng	Tham Khuan Heng
Brief write-up on background and working experience	Mr Hee is currently a consultant of Eversheds Harry Elias LLP and has been practising as an advocate for more than thirty years. He is also a director of several public listed companies.	Mr Lim is currently an executive director of LeeMeng Capital Pte. Ltd.. He was formerly a senior partner of RSM Chio Lim, a member firm of RSM International and has more than thirty years of experience in the profession. He is also a director of several public listed companies and an economic trade advisor to the Jiangsu Department of Commerce.	Mr Chen has more than thirty years of management experience in international finance, insurance, banking and corporate advisory work. He is also a director of several public listed companies.	Ms Tham was appointed the lead independent director in 2012. She was chief financial officer of a public listed company and a partner of an international public accounting firm.
Academic and professional qualifications	Bachelor of Laws (Hons), University of Singapore, Diploma in PRC Law, Suzhou University	CA (Singapore), MBA, ACIS, Diploma in Business Law	B.Sc. (Banking) MBA (Finance) Certified Corporate Director (ICD.D) Canada	CA (Singapore)
Date of appointment/(last re-election)	1 May 1997 (28 April 2016)	1 May 1997 (28 April 2016)	8 December 2016 (26 April 2017)	17 April 2003 (27 April 2018)
Nature of appointment	Independent Director	Independent Director	Independent Director	Lead Independent Director
Board committees served	Non-executive Chairman of the Board; Member of AC NC and RC	Chairman of RC; Member of AC and NC	Chairman of NC; Member of AC and RC	Chairperson of AC; Member of NC and RC
Present directorships in listed companies	Tye Soon Limited China Jinjiang Environment Holding Company Limited Straco Corporation Limited Haidilao International Holding Limited APAC Realty Limited Yanlord Land Group Limited	Tye Soon Limited ARA-CWT Trust Management (Cache) Limited Teckwah Industrial Corporation Limited	Tye Soon Limited Yanzijiang Shipbuilding (Holdings) Ltd. Tianjin Zhong Xin Pharmaceutical Group Corporation Limited Boldtek Holdings Limited Sysma Holdings Limited	Tye Soon Limited
Past years directorships in listed companies	YHI International Limited First Resources Limited Datapulse Technology Limited Delong Holdings Limited	ARA Asset Management (Fortune) Limited ARA Trust Management (Suntec) Limited	Sunmart Holdings Limited Hu An Cable Holdings Ltd. Xinren Aluminium Holdings Ltd.	–

Corporate Governance Report

Particulars of interests of directors who held office at the end of the financial year in shares and share options in the Company and its subsidiaries are set out in the Directors' Statement.

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.

The NC conducted a formal assessment on the performance of the Board as a whole in the form of a questionnaire with input from all Board members. The NC is of the view that assessment on the performance of the Board as a whole is adequate.

The NC considers a set of quantitative and qualitative performance criteria in evaluating the Board's performance, such as revenue and profit growth, return on equity, the success in implementing strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring management's performance against the goals that have been set by the Board.

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.

The directors receive a regular supply of information from Management about the Group so that they are equipped to participate at Board meetings. Detailed Board papers are prepared for each Board meeting and are circulated in advance of each meeting. The Board papers include sufficient information on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at the Board meetings. The Board receives monthly reports from Management providing updates on the Group's results and financial position.

All directors have unrestricted access to the Group's records and information. The directors may also liaise with Management as and when required to seek additional information. In addition, the directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all Board meetings.

Should a director seek independent professional advice concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a director, the Board will appoint a professional adviser to assist such director at the Company's expense.

REMUNERATION MATTERS

Procedures 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 RC comprises four independent directors, namely Mr Lim Lee Meng (Chairman), Mr Hee Theng Fong, Ms Tham Khuan Heng and Mr Chen Timothy Teck Leng @ Chen Teck Leng.

The RC has access to information regarding human resource matters within the Group and, if necessary, expert advice from outside the Group.

Corporate Governance Report

The RC reviews and approves recommendations on remuneration packages for the Chairman and the other executive directors based on the performance of the Group and the individual director. No director individually decides his or her own remuneration. The RC also reviews remuneration packages for key executives of the Company. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The RC's recommendations are submitted for endorsement by the Board.

The RC also reviews the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

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.

Annual reviews of the compensation of directors are carried out by the RC to ensure that the executive directors and senior management are appropriately rewarded, giving due regard to the financial and business needs of the Group. In setting remuneration packages, the Company also takes into account the performance of the Company and the individuals, giving consideration to the competitive situation and the combination of fixed and variable remuneration while aligning the interests of the employees with that of the Shareholders.

The remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate senior management of the Group and executive directors of the Company.

The RC is of the opinion that the executive directors and senior management of the Group are not excessively compensated, taking into consideration their responsibilities, skills, expertise and contributions to the Group's performance. The remuneration for the executive directors and the senior management comprise a basic salary and a variable component, which is the annual bonus. The annual bonus is tied to the performance of the Group and the individual's performance.

The service contracts of the executive directors do not contain any onerous compensation commitments on the part of the Company in the event of termination. The variable components of the remuneration of the executive directors and key management personnel are not excessive. In view of this, contractual provisions to allow the Company to reclaim variable components of their remuneration paid in prior years have not been put in place. However, the Company will consider such contractual provisions when necessary.

Non-executive directors and independent directors are paid a fixed fee after taking into account the effort, time spent and responsibilities of each such director. The directors' fees of directors are recommended for Shareholders' approval at an annual general meeting. No member of the RC participated in deliberations or decisions on recommendations for his/her director's fee.

The Company currently does not have any long-term incentive scheme but the Board recognises the virtue of such schemes and will implement one when the Board considers the circumstances suitable.

Corporate Governance Report

Disclosure of 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.

A summary compensation table of the directors' and key executives' remuneration of the Company and the Group for the year ended 31 December 2018 is set out below:

Remuneration bands	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits (%)	Total (%)
Directors					
S$250,000 to S$500,000					
Ong Hock Siang @ Ong Huat Seong	76	–	7	17	100
Ong Huat Yew, Peter	74	–	8	18	100
David Chong Tek Yew	78	–	8	14	100
Below S$250,000					
Ong Eng Chian, Kelvin	64	–	13	23	100
Ong Huat Kee	–	–	100	–	100
Ong Huat Choo	–	–	100	–	100
Ong Eng Waey, Abel	–	–	100	–	100
Ong Lay May, Apple	–	–	100	–	100
Ong Eng Mien, Malcolm	–	–	100	–	100
Hee Theng Fong	–	–	100	–	100
Lim Lee Meng	–	–	100	–	100
Tham Khuan Heng	–	–	100	–	100
Chen Timothy Teck Leng @ Chen Teck Leng	–	–	100	–	100

Name of key executive (who is not a director (In alphabetical order)	Salary (%)	Bonus (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000				
Lai Choy Tong	82	–	18	100
Ng Sean Poh	81	–	19	100

The Company has disclosed the remuneration of only two key executives, as there were only two management personnel (who are also not directors) whom the Company has identified as key executives. None of the directors have any immediate family member who is an employee of the Group for the financial year ended 31 December 2018.

The Company did not disclose the remuneration of the directors and the key executives in dollar terms, both at the individual level and on aggregate, because such disclosure can adversely affect the Company's talent retention efforts.

ACCOUNTABILITY AND AUDIT

Accountability

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

In presenting the financial statements for the first half and the full financial year to Shareholders, it is the aim of the Board to provide Shareholders with a balanced assessment of the Group's performance, position and prospects. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Management currently provides the directors with management accounts of the Group's performance, position and prospects on a monthly basis.

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 Group has in place an Enterprise Risk Management ("ERM") Framework, which governs the risk management process in the Group. The ERM Framework enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. Using a matrix, the significant operational, financial and compliance risks of the Group have been established and mapped against existing strategies, policies, people and processes together with internal control systems including financial, operational, compliance and information technology controls and reporting mechanisms. The ownership of key risks lies with respective Heads of Corporate/Business Units who are responsible for implementing a Group-wide 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 implemented a control self-assessment program for its major business units. Risk owners of these business units carry out control self-assessments of key internal controls that mitigate key risks. Self-assessments of internal control are based on a set of qualitative assessment criteria. Internal audit conducts separate audits that involve testing the adequacy and effectiveness of internal controls to validate risk owner's rating of the strength of internal controls.

The key risks, risk appetite and parameters, and key risk indicators of the Group are reviewed and deliberated by the Enterprise Risk Management Committee ("ERMC") on a regular basis and reported to the Board twice a year. The ERMC is chaired by the President and comprises four executive directors and three non-executive and non-independent directors. The Board reviews the adequacy and effectiveness of the ERM framework against recommended practices in risk management and vis-à-vis the external and internal environment that the Group operates in. The AC, assisted by internal audit, reviews the adequacy and effectiveness of internal control measures identified from the ERM Framework.

To ensure that risk management processes and internal controls are adequate and effective, the Board is further assisted by various independent professionals. External auditors provide assurance over the risk of material misstatements in the Group's financial statements. The internal auditor provides assurance that controls over the key risks of the Group are adequate and effective. In addition, the Board also received assurance from the Managing Director and the Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and that the Company's risk management and internal control systems are adequate and effective.

Corporate Governance Report

Based on the framework established, control self-assessments by management and reviews by both the internal and external auditors during the year, together with assurance from the Managing Director and the Group Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management system and internal controls are adequate and effective in addressing the financial, operational, compliance and information technology control needs that the Group considers relevant and material to its operations.

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

Audit Committee

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

The AC is currently chaired by Ms Tham Khuan Heng and comprises three other directors, namely Mr Lim Lee Meng, Mr Hee Theng Fong and Mr Chen Timothy Teck Leng @ Chen Teck Leng. All four members of the AC are independent directors.

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities.

The AC meets periodically with the Group's external and internal auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group. The external and internal auditors have unrestricted access to the AC. The AC members also meet at least once each year on their own to discuss matters concerning the Company, without Management being present.

The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting and financial implications of major transactions. In addition, the AC reviews the Group's internal financial controls, operational and compliance controls, and risk management policies and systems established by Management.

The functions of the AC include:

(a) reviewing the audit plans and scope of audit examination of the external auditors, and approving the audit plans of the internal auditors;

(b) reviewing the nature and extent of non-audit services, performed by the external auditors;

(c) making recommendations to the Board on the appointment, re-appointment and removal of the internal and external auditors, and approving the remuneration and terms of engagement of the internal and external auditors;

(d) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the Company and any formal announcements relating to the Group's financial performance;

(e) evaluating the overall effectiveness of both the internal and external audits, through regular meetings with each group of auditors;

(f) evaluating the overall effectiveness of the internal audit function;

Corporate Governance Report

(g) determining that no restrictions are being placed by Management upon the work of the internal and external auditors;

(h) evaluating the adequacy of the internal control systems of the Group, by reviewing written reports from the internal and external auditors, and Management's responses and actions, to correct any deficiencies;

(i) evaluating adherence to the Group's administrative, operating and internal accounting controls;

(j) reviewing the annual and half-year financial statements, and announcements to shareholders, before submission to the Board for adoption;

(k) reviewing interested person transactions, to ensure that they are on normal commercial terms and are not prejudicial to the interests of the Company or its Shareholders; and

(l) considering other matters as requested by the Board.

The management has identified significant matters that are also included as key audit matters reported in the auditors' report. The accounting principles and management judgement in relation to the significant matters are as follows:

Significant matters:	Reviews and comments by the AC
• Valuation of inventories • Valuation of trade receivables	The AC has considered and discussed with the management on the approach and methodology applied in assessing the valuation of inventories and trade receivables. The AC has reviewed the reasonableness of the judgement applied in arriving at the estimate of write-down of inventories considering the age of the inventories, the prevailing market conditions and historical provisioning experience. The AC has also reviewed the reasonableness of the judgement in determining the allowance for impairment loss on trade receivables taking into consideration the historical trend of doubtful trade receivables. The use of judgement in assessing valuation of inventories and trade receivables were also included in the key audit matters identified by the external auditors. The AC has considered and are satisfied with the findings of the external auditors. Following the review, the AC concluded that the judgements applied were reasonable in preparing the financial statements for the year.

The Company has in place a whistle-blowing policy. The AC reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions.

The AC is authorised to investigate any matter within its terms of reference, and has full access to Management and also full discretion to invite any director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. Annually, the AC meets with the internal auditors and the external auditors separately, without the presence of management. This is to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, the independence and objectivity of the external auditors and the observations of the auditors.

Corporate Governance Report

The AC has kept abreast of accounting standards and issues that could potentially impact financial reporting through briefing sessions, regular updates and advice from internal and external auditors, and attended seminars conducted by relevant institutes.

The AC reviewed the independence and objectivity of the external auditors through discussions with them, confirmation by them, as well as nature and extent of non-audit services provided by the external auditors during the financial year under review. The amount of non-audit fees paid to KPMG LLP was $25,313. In the opinion of the AC, the non-audit services would not affect the independence of the external auditors.

The AC has recommended to the Board the nomination of KPMG LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting.

With regard to the appointment of auditors, the Company has complied with the requirements under Rules 712 and 715 of the listing manual of the SGX-ST.

Internal Audit

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

The internal audit function assists the Board in assessing key internal controls through a structured review and assessment program. The Company has established an in-house internal audit function led by an experienced internal auditor. The internal auditor directly reports and has unrestricted access to the AC. Administratively, the internal auditor reports to the Managing Director of the Company.

To ensure that the internal audit function of the Company is independent of the activities which it audits, adequately resourced and has appropriate standing within the Company, the AC has directed that the internal auditor should meet or exceed the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor has unrestricted access to all the company's documents, records, properties and personnel.

The internal auditor operates within the terms of reference stated in the Internal Audit Master Plan which is approved by the AC annually. During the financial year, the internal auditor reviewed the adequacy and effectiveness of controls over the Group's key risks, including financial, operational and compliance controls. Any control weaknesses identified, together with recommendations for improvement are reported to the AC. The follow up actions by Management to improve the control weaknesses are closely monitored.

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.

The Company believes in treating all shareholders fairly and equitably. The Company will keep all shareholders sufficiently informed of changes in the Company or its business which would likely to materially affect the price or value of the Company's shares. Shareholders of the Company have the opportunity to participate effectively in and vote at general meetings, where relevant information of the rules, including voting procedures, that govern such meetings will be clearly communicated.

Corporate Governance Report

Communication with Shareholders

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

The Company believes in timely and accurate dissemination of information to Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the listing rules of the SGX-ST and the Companies Act, Chapter 50. The Company does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released either before or concurrently with, such meetings. Communication to Shareholders is normally made through:

(a) annual reports that are prepared and issued to all Shareholders;

(b) semi-annual financial results containing a summary of the financial information and affairs of the Group for the period;

(c) notices and explanatory memoranda for annual general meetings and extraordinary general meetings;

(d) disclosures to the SGX-ST; and

(e) the Group's website at http://www.tyesoon.com at which Shareholders can access information on the Group.

In addition, Shareholders are encouraged to attend general meetings of the Company to ensure a high level of accountability. General meeting represents the principal forum for dialogue and interaction with Shareholders. The Company recognises the value of feedback from Shareholders. The Company has taken steps to solicit and understand the views of the Shareholders, especially during the annual general meetings, Shareholders are given ample time and opportunities to air their views and concerns.

Conduct of Shareholder Meetings

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.

The Company's Constitution allow Shareholders to appoint up to two proxies to attend and vote at general meetings. Separate resolutions are proposed at general meetings for each distinct issue.

The Chairpersons of the AC, NC and RC will normally be present at all general meetings to address questions at general meetings. External auditors are also present to assist the directors in addressing any queries by Shareholders. Minutes of general meetings of the Company are available to Shareholders upon request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

2. INTERESTED PERSON TRANSACTIONS

No interested person transactions of S$100,000 or more were entered into during the financial year ended 31 December 2018.

Corporate Governance Report

3. MATERIAL CONTRACTS

There was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the directors, or controlling shareholder during the financial year ended 31 December 2018.

4. DEALINGS IN SECURITIES

During the financial year under review, the Company has complied with Rule 1207(19) of the listing manual of the SGX-ST with respect to dealings in securities.

The Company has an internal policy to provide guidance to its directors, officers, executives, and any other persons as determined by Management that may possess unpublished material price-sensitive information of the Group ("Applicable Persons"), setting out *inter alia*, the following:

(a) the implications of insider trading,

(b) advising Applicable Persons not to trade in the Company's securities on short term considerations; and

(c) a black out period for trading in the Company's securities commencing one month before the release of the Company's half year and full year financial results and ending on the date of the announcement of the relevant financial results.

The Company's internal policy is in line with the best practices on dealing in securities provided in Rule 1207(19) of the listing manual of the SGX-ST.

Sustainability Report

Board Statement

The Board of Directors at Tye Soon Limited (the "Company") and its subsidiaries (the "Group") are pleased to publish our sustainability report for the financial year ended 31 December 2018 ("FY2018").

Striving for sustainability in business has become more of a requirement than an option due to increased global concern about climate change. We believe that it is important for us to integrate environmental, social and governance ("ESG") considerations into our long-term business strategy.

The Board oversaw a materiality assessment that was conducted in 2017 and reviewed the identified factors in FY2018 to determine high impact areas to support the business strategy. We have reviewed and concluded that the material factors in FY2018 have remained unchanged. We are supported by the Sustainability Steering Committee (the "SSC"), comprising key executives across the Group, to develop sustainability strategies and manage its performance. We have reviewed our performance against the targets set last year for each material factor.

This report is aligned with Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B – Sustainability Reporting Guide and has been prepared with reference to the internationally recognised Global Reporting Initiative ("GRI") Standards (2016).

We invite you to learn more about our journey and the measures we have taken to make us more resilient in the future, so as to continue to create value for the Group and our stakeholders.

About This Report

This report is to be read in conjunction with its financial statements, this report addresses the Group's material environmental, social and governance ("ESG") topics from 1 January to 31 December 2018.

Reporting Scope and Boundaries

In defining the reporting scope, we considered the percentage of contribution to the total revenue, the level of ownership by the Group as well as the significance of any resulting economic, environmental and social impacts. In our sustainability report, we have included 8 entities which are located in Singapore, Malaysia, Australia, and Korea.

All data is reported in good faith and to the best of our knowledge.

Reporting Guidelines

This report has been prepared in compliance with the requirements of SGX-ST Listing Rules 711A and 711B, and with reference to the Global Reporting Initiative ("GRI") Standards (2016).

Stakeholder Engagement

We believe stakeholders play a vital role in the formulation of the Group's business operation and long-term strategy. Through effective communication, we understand the concerns of our stakeholders and take them into considerations when making business decisions. These stakeholders have been identified based on the extent to which they affect or are affected by our business activities. Our stakeholders with whom we connect on periodic basis include investors, customers, employees, communities, government and regulators, as well as suppliers.

Sustainability Report

The Group actively engages stakeholders through regular meetings and timely updates of information, including organisation policies, financial results and announcements, business developments, press releases, and relevant disclosures on SGXNet and company website. We strive to develop various channels of communication and continue meaningful dialogue with our key stakeholders. In addition, we proactively participate in the activities of The Singapore Cycle & Motor Traders' Association[1] ("SCMTA") and Victorian Automobile Chamber of Commerce ("VACC")[2] and Australian Automotive Aftermarket Association ("AAAA")[3] whilst undertaking leadership role in the SCMTA Board of Management Committee.

Materiality Assessment

In FY2017, a Materiality Assessment was initiated by the Group to identify, prioritise and validate ESG factors that are significant to our business operations and of interest to key stakeholders. The exercise took reference from the GRI Standards (2016) Materiality Principle and was facilitated by an independent sustainability consultant.

The participants engaged in the assessment workshop that required them to consider the following:

- Global and local emerging sustainability trends;
- Material topics and future challenges, as identified by peers;
- Options of sustainability reporting frameworks and relevant sector-specific guidance; and
- Insights gained from regular interactions with external stakeholders.

As a result of the workshop, the following 7 factors were identified to be material to the Group. These were validated by the Board and are the focus of this sustainability report. In FY2018, we reviewed the materiality assessment process and concluded that the material factors are still reflective of our current business direction and continued to be relevant.

Sustainability Focus Areas	***Material Factors***	***Mapped GRI Topics***
Economic Impact	• Economic Performance	• Economic Performance
Environmental Protection	• Energy	• Energy
Social Responsibility	• Talent Retention	• Employment
	• Training and Education	• Training and Education
	• Occupational Health & Safety	• Occupational Health & Safety
	• Customer Satisfaction	• Non-GRI Topic
Governance	• Product Range and Excellence	• Non-GRI Topic

1 Singapore Cycle & Motor Traders' Association ("SCMTA") represents about 80% of the bicycles, motor vehicle parts and accessories dealers in Singapore. Further information can be found by visiting SCMTA's official website: http://www.autoparts.com.sg

2 The Victorian Automobile Chamber of Commerce ("VACC") is an automotive industry employer association. Further information can be found by visiting VACC's official website: https://www.vacc.com.au/

3 The Australian Automotive Aftermarket Association ("AAAA") is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, as well as providers of vehicle service, repair and modification services in Australia Further information can be found by visiting AAAA's official website: https://www.aaaa.com.au/

Sustainability Report

Economic Impact

Economic Performance

At Tye Soon, we carry out our operations responsibly so as to continuously create sustainable value for our customers and shareholders. The Group has therefore implemented an Enterprise Risk Management ("ERM") framework, which governs the risk management process in the Group. The ERM framework enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. As part of the framework, risk management policies and systems are assessed by the ERM committee regularly and reported to the Board of Directors twice a year. Management team is responsible for implementing the risk management policies as well as a Group-wide system for internal assurance. This ensures that the top management is in control of any potential financial risks.

Details of the Group's financial performance in FY2018 can be found in the 5-Year Financial Summary (page 3) and Financial Statement (pages 21 to 98) sections of this Annual Report.

Environmental Protection

Energy

The Group acknowledges that climate change and global warming are included in the international and local sustainability agenda. As our business operations contribute to these phenomenon, we endeavour to minimise the negative environmental impact whilst reducing our operational cost.

Energy conservation has always been a key operational focus. We work closely with the property owners to drive continuous improvement in energy efficiency within our offices and warehouses. Several energy saving initiatives have been implemented, including:

- ***Invest in energy efficient technologies***

  Lighting accounts for a significant part of electricity consumption in a building. As light-emitting diode ("LED") light fittings are estimated to be more energy efficient than traditional lighting, we have introduced LED retrofit projects in our offices and warehouses by participating in a local government incentive scheme in Australia. We have replaced air-conditioning system with other low energy consuming cooling system in Australia.

- ***Conduct regular maintenance***

  We keep track of regular maintenance to ensure routine actions are undertaken on equipment in order to mitigate the consequences of failure. Staffs are also encouraged to provide feedback on malfunctioning equipment to allow timely repair. Moreover, the monthly consumption of utilities is monitored to identify potential opportunities to improve energy efficiency.

- ***Raise environmental awareness***

  We believe in a corporate culture that values sustainability. Sustainability within the corporate culture results in operational cost savings and marketable brand to our consumers as well as prospective employees. To increase environmental awareness, we support promotion of energy savings and waste management initiatives by sending out effective messages to our employees and building users.

  Electricity consumption serves as a main source of energy usage in our buildings and warehouses. Electricity intensity accounted for 10.94 KWh/m^2 in FY2018 as compared to 11.58 KWh/m^2 in FY2017, of our total occupied area. We performed better against the target set for FY2018 to maintain energy intensity at FY2017 level. Moving forward, we target to maintain the current energy intensity in the forthcoming year.

Sustainability Report

Social Responsibility

Talent Retention

At the Group, our people play a crucial role in the growth of our business. The retention of a diligent workforce creates a positive work environment, and strengthens employees' commitment to the organisation. We believe stability and continuity in leadership and technical expertise will result in increased trust and confidence among our stakeholders.

In line with our commitment towards creating a positive work environment, we reward our employees based on their abilities and performance. Employees' performance is linked directly to the competitive remuneration and is an important basis for decisions such as yearly salary and job promotion.

The Group strives to enhance the employees' overall effectiveness as well as their continuous contribution and growth. We also believe that open and continuous dialogues with employees can help to reduce turnover while improving working conditions. Employee engagement sessions are conducted to allow employees to address their concerns and provide their feedback if necessary.

We have maintained a diligent workforce by implementing the above practices. In FY2018, our employee yearly turnover was 15% as compared to FY2017 of 13%. We aim to achieve an employee turnover of around 15% in the forthcoming year.

Training and Education

In a dynamic business environment, we recognise the need to continuously upgrade our employees' skills in order to equip them with the tools necessary for growth. Employees' training and development remain our key priorities. We believe that ongoing career development will lead to improved business performance and contribute to employee satisfaction.

To help our employees achieve their full potential, the Group encourages them to upgrade their knowledge and skillset. We provide training opportunities for the employees to work and learn in the current work environment.

In Australia and South Korea, we have an employee induction programme to provide all new recruits with essential information, such as job profile, mock trainings, introduction to business operations, policies & procedures of the organisation. We believe the induction programme is one of the most effective and efficient ways to bring new team members up to speed on a whole range of company policies that apply to the role.

In FY2018, each employee received an average of 15 training hours as compared to FY2017 of 11.8[1] training hours. We performed better against the target set for FY2018 to maintain training hours at FY2017 level. In the forthcoming year, we aim to provide all our employees with equal opportunity to relevant trainings as per the requirements.

Occupational Health and Safety

As a responsible employer, we believe in safe working environment in our operations. We believe it is very important to minimise the risks of work-related injury and illness as it not only endangers employee safety but also have an impact on operational efficiency and reputational damage of the company. It is our commitment to adhere to the local safety laws and regulations in each of our geographic markets.

At the Group, employees are required to abide by the health and safety measures, and undertake reasonably practicable steps to ensure workplace safety. Regular reviews are conducted to improve our existing safety standards and practices. We also ensure compliance to safety laws and regulations in the countries where we operate. We conduct regular safety inspection at our facilities to identify potential health and safety risks and take preventive measures wherever necessary.

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1 Restatement of employee training hours in FY2017 due to extraction error.

We record all work-related injury, regardless of its severity and conduct a follow up for implementation of corrective action plan. Employees are required to follow the emergency procedure by informing the manager and/or supervisor in charge to take necessary actions.

In FY2018, the accident frequency rate[4] was 12.11 accidents per million man hours worked as compared to FY2017 of 13.01 accidents per million man hours worked. There were zero reported workplace fatalities in FY2018. We achieved our target set for FY2018 to maintain zero work-related fatalities and continue to encourage employees to work towards the goal of zero injuries. Moving forward, we target to maintain zero work-related fatalities.

Customer Satisfaction

We view customer satisfaction as a critical part for business success. We regularly review the roles and skillsets of the people who are customer facing to improve our customer services. Our employees are equipped with good product knowledge, skills and competencies required to fulfil customer requirements.

At Tye Soon, we strive to retain as many existing customers as possible whilst acquiring new customers. We broaden our communication channels with our customers from customer feedback from our website and customer events. This will enable us to hear the voice of our customers and respond to it efficiently. In this way, we will be able to understand whether our products and services are able to meet customer expectations.

In 2018, we broadened our mode of engagement with our customers through social media and time spent with customers through organized events which contributed to achieving our FY2018 target for improvement on modes of engagement. With various forms of engagement, we obtained their feedback on our products and services. Moving forward, we target to address relevant feedbacks in timely manner.

Governance

Product Range and Excellence

At Tye Soon, we believe that good governance and product excellence go hand-in-hand. Good governance reduces exposure of the company to unnecessary risks and leads to opportunities for growth and improved performance. Through good governance we embrace a competitive business strategy by offering a wide range of products and services with excellence to meet our customers' increasingly diverse demand. Product range and excellence are considered a cornerstone for our business as it contributes to revenue and profitability. We ensure our customers are fully satisfied with our products and services and retain their relationships with us.

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4 Accident frequency rate: Number of lost time injuries resulted due to accidents per million man hours worked

Sustainability Report

Our management plays an active role in implementing the initiatives below that expand product range and enhance excellence.

Conduct product quality assessment	Understand customer demand	Reinforce brand strategy
Develop product portfolio	Improve customer satisfaction	Ensure quick and reliable response
Act on customer feedback	Boost time efficiency	Distribute safe and top notch quality products

In 2018, we brought in new products under different brands to meet our customers demand. Moving forward, we target to maintain our current brands and continue to introduce new products as per customer's requirements.

Shareholding Statistics

As at 15 March 2019

Number of issued ordinary shares	:	87,265,029
Issued and paid-up capital	:	S$38,057,146.05
Number of treasury shares held	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares each with equal voting rights

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	63	1.55	3,259	0.00
100 – 1,000	1,864	46.00	1,270,919	1.46
1,001 - 10,000	1,765	43.56	6,396,060	7.33
10,001 - 1,000,000	352	8.69	20,439,948	23.42
1,000,001 and above	8	0.20	59,154,843	67.79
	4,052	100.00	87,265,029	100.00

Shareholdings Held in Hands of Public

Based on information available to the Company as at 15 March 2019, approximately 31.85% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	OBG & Sons Pte Ltd	45,064,359	51.64
2	Ong Huat Yew Peter	2,746,767	3.15
3	Ong Huat Choo	2,684,100	3.08
4	Ong Hock Siang @ Ong Huat Seong	2,235,071	2.56
5	Ong Huat Kee	1,834,767	2.10
6	Ong Eng Waey Abel	1,653,447	1.89
7	Ong Yuu Kock	1,552,666	1.78
8	David Chong Tek Yew	1,383,666	1.59
9	DBS Nominees Pte Ltd	836,734	0.96
10	Lee Seck Yee	784,666	0.90
11	Kuan Bon Heng	779,000	0.89
12	Kok Wen Fatt	777,800	0.89
13	Ong Eng Keng Michael	731,780	0.84
14	Tan Yong Ping (Chen Yongbin)	706,666	0.81
15	Maybank Kim Eng Securities Pte. Ltd.	603,298	0.69
16	Ong Lay May Apple	600,000	0.69
17	United Overseas Bank Nominees Pte Ltd	462,232	0.53
18	Ong Eng Chian Kelvin	402,708	0.46
19	Tan Heng Lee Co Pte Ltd	400,000	0.46
20	Wang Ruolian	333,333	0.38
		66,573,060	76.29

Shareholding Statistics

As at 15 March 2019

Substantial Shareholders as at 15 March 2019
(as shown in the Company's Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
OBG & Sons Pte Ltd	45,064,359	51.64	–	–

Based on the Company's Register of Substantial Shareholders, OBG & Sons Pte Ltd ("OBG") has a direct interest in 45,064,359 ordinary shares in the capital of the Company and no person is deemed to be interested in the shares held by OBG in the Company.

Directors' Shareholdings in Tye Soon Limited as at 21 January 2019 (as shown in the Company's Register of Directors)

Ordinary shares fully paid

Name of Directors	Direct Interests	Percentage (%) of issued capital	Deemed interest	Percentage (%) of issued capital
Ong Hock Siang @ Ong Huat Seong	2,235,071	2.56	48,666	0.06
Ong Huat Kee	1,834,767	2.10	–	–
Ong Huat Yew, Peter	2,746,767	3.15	–	–
Ong Huat Choo	2,684,100	3.08	–	–
Ong Lay May, Apple	600,000	0.69	–	–
Ong Eng Chian, Kelvin	402,708	0.46	–	–
David Chong Tek Yew	1,383,666	1.59	–	–
Ong Eng Waey, Abel	1,653,447	1.89	–	–
Ong Eng Mien, Malcolm	52,666	0.06	–	–
Hee Theng Fong	–	–	–	–
Lim Lee Meng	–	–	–	–
Tham Khuan Heng	–	–	–	–
Chen Timothy Teck Leng @ Chen Teck Leng	–	–	–	–

Notice of
63rd Annual General Meeting

NOTICE IS HEREBY GIVEN that the 63rd Annual General Meeting (***63rd AGM***) of Tye Soon Limited (***Company***) will be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 29 April 2019 at 10:00 am for the following purposes:

As Ordinary Business	**Ordinary Resolution No.**
1. To receive and adopt the directors' statement and audited financial statements for the financial year ended 31 December 2018, together with the auditors' report thereon.	**(Resolution 1)**
2. To approve directors' fees of S$603,000 payable by the Company for the financial year ended 31 December 2018 (2017: S$603,000).	**(Resolution 2)**
3. To re-elect the following directors who are retiring by rotation under regulation 104 of the Company's constitution (***Constitution***) and who, being eligible, offer themselves for re-election:	
(a) Mr Ong Eng Chian Kelvin	**(Resolution 3)**
(b) Mr Lim Lee Meng	**(Resolution 4)**
(c) Mr Hee Theng Fong	**(Resolution 5)**
(d) Mr Ong Eng Mien Malcolm	**(Resolution 6)**
4. To re-appoint KPMG LLP as auditors of the Company for the financial year ending 31 December 2019 and to authorise the directors to fix their remuneration.	**(Resolution 7)**
5. To transact any other ordinary business that may properly be transacted at an annual general meeting.	

As Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as ordinary resolutions:

6. Authority to allot and issue shares **(Resolution 8)**

That, 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 of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

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

(b) (notwithstanding that 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 while this resolution was in force,

Notice of 63rd Annual General Meeting

provided that:

(1) the aggregate number of Shares to be issued under this resolution (including Shares to be issued in pursuance of the Instruments made or granted under this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted under this resolution) does not exceed 20% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited (***SGX-ST***) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this resolution, after adjusting for:

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

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

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

(3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Companies Act, Chapter 50, 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 for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force 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 the earlier.

By Order of the Board of Directors

EVELYN WEE KIM LIN
Company Secretary
Tye Soon Limited

11 April 2019
Singapore

Notice of 63rd Annual General Meeting

Notes:

1. The Chairman of the 63rd AGM will be exercising his right under regulation 70 of the Company's Constitution to demand a poll in respect of each of the resolutions to be put to the vote of members at the 63rd AGM and at any adjournment thereof. Accordingly, each resolution at the 63rd AGM will be voted on by way of poll.

2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company. Where such member's form of proxy appoints more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the appointments shall be invalid unless the member's form of proxy specifies the number and class of shares in relation to which each proxy has been appointed.

   "relevant intermediary" has the meaning ascribed to it in section 181 of the Companies Act, Chapter 50.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 3C Toh Guan Road East, #01-03, Singapore 608832 not less than 48 hours before the time appointed for holding the meeting.

Explanatory Notes and Statement under regulation 63(3) of the Company's Constitution

Resolution 4

If re-elected, Mr Lim Lee Meng will remain as member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company and will also remain as the Chairman of the Remuneration Committee of the Company. He is considered an independent director.

Resolution 5

If re-elected, Mr Hee Theng Fong will remain as member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company and will also remain as the Chairman of the Board of Directors of the Company. He is considered an independent director.

Resolution 8

The proposed Resolution 8, if passed, will empower the directors, from the date of the 63rd AGM until the next annual general meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings, if any, with a sub-limit of 20% for Shares issued other than on a *pro rata* basis to Shareholders.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 63rd 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 processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the 63rd AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 63rd 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 and service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and agrees to provide the Company with written evidence of such prior consent upon reasonable request; and

(iii) agrees to 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 63rd Annual General Meeting

Special Note: Dress Code

Please be informed that the 63rd AGM shall be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 and Shareholders (and their respective proxies) are requested NOT to wear singlets, running shorts and slippers. Your co-operation in complying with The Chevron's dress code is greatly appreciated.

Disclosure of Information on Directors Who Offer Themselves for Re-election

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

Name of Director	ONG ENG CHIAN, KELVIN	ONG ENG MIEN MALCOLM	HEE THENG FONG	LIM LEE MENG
Date of Appointment	17 July 2006	28 May 2015	1 May 1997	1 May 1997
Date of last re-appointment (if applicable)	28 April 2016	28 April 2016	28 April 2016	28 April 2016
Age	44	55	65	63
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 re-election of Mr Ong as the Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Ong as the Non-Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Hee as the Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Lim as the Independent Director was recommended by the NC and the Board has accepted the recommendation, after taking into his qualifications, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Deputy Managing Director; Member of EC and ERMC	Non-Independent Director	Independent Director, Non-executive Chairman of the Board; Member of AC, NC and RC	Independent Director, Chairman of RC; Member of AC and NC
Professional qualifications	Bachelor of Engineering	Bachelor of Business Administration – Finance	Bachelor of Laws (Hons), University of Singapore, Diploma in PRC Law, Suzhou University	CA (Singapore), MBA, ACIS, Diploma in Business Law

Disclosure of Information on Directors Who Offer Themselves for Re-election

Name of Director	ONG ENG CHIAN, KELVIN	ONG ENG MIEN MALCOLM	HEE THENG FONG	LIM LEE MENG
Working experience and occupation(s) during the past 10 years	Please refer to Group Management Team on page 11 of the Annual Report.	Mr Ong has more than 25 years of sales and marketing experience in the pulp and paper industry primarily in the Asia and Pacific region. He was managing director of Bowater Asia Pte Ltd.	Mr Hee is currently a consultant of Eversheds Harry Elias LLP and has been practising as an advocate for more than thirty years. He is also a director of several public listed companies.	Mr Lim is currently an executive director of LeeMeng Capital Pte. Ltd.. He was formerly a senior partner of RSM Chio Lim, a member firm of RSM International and has more than thirty years of experience in the profession. He is also a director of several public listed companies and an economic trade advisor to the Jiangsu Department of Commerce.
Shareholding interest in the listed issuer and its subsidiaries	402,708	52,666	No	No
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	Ong Huat Yew Peter (Father)	Ong Hock Siang @ Ong Huat Seong (Father)	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments including Directorships				

Disclosure of Information on Directors Who Offer Themselves for Re-election

Name of Director	ONG ENG CHIAN, KELVIN	ONG ENG MIEN MALCOLM	HEE THENG FONG	LIM LEE MENG
Past (for the last 5 years)	No	Managing Director, Bowater Asia Pte Ltd.	Datapulse Techonology Limited Delong Holdings Limited YHI International Limited First Resources Limited Chinese Development Assistance Council NTUC Fairprice Foundation Ltd. Business China RHTLaw Taylor Wessing LLP	ARA Asset Management (Fortune) Limited ARA Trust Management (Suntec) Limited
Present	No	Aly Art Pte. Ltd.	Straco Corporation Limited Yanlord Land Group Limited China Jinjiang Environment Holding Company Limited APAC Realty Limited Haidilao International Holding Limited Singapore Chinese Cultural Centre F & H Singhome Fund II & III Ltd. Chua Foundation Consultant of Eversheds Harry Elias LLP.	ARA-CWT Trust Management (Cache) Limited Teckwah Industrial Corporation Limited

Disclosure of Information on Directors Who Offer Themselves for Re-election

Name of Director		ONG ENG CHIAN, KELVIN	ONG ENG MIEN MALCOLM	HEE THENG FONG	LIM LEE MENG
Information required pursuant to Listing Rule 704(7)					
(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 judgement 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
(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

Disclosure of Information on Directors Who Offer Themselves for Re-election

Name of Director	ONG ENG CHIAN, KELVIN	ONG ENG MIEN MALCOLM	HEE THENG FONG	LIM LEE MENG
Information required pursuant to Listing Rule 704(7)				
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	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 warnings, 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? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.	N.A.

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TYE SOON LIMITED
Registration No. 195700114W
(Incorporated in the Republic of Singapore)

63RD ANNUAL GENERAL MEETING

PROXY FORM

IMPORTANT
1. A relevant intermediary (as defined in section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies
3. PLEASE READ THE NOTES TO THE PROXY FORM.

I/We ______________________ (Name) ______________________ (NRIC / Passport No.)

of ____ (Address)

being a member/members of TYE SOON LIMITED (***Company***), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

or failing him/them, the Chairman of the 63rd Annual General Meeting (***63rd AGM***) as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 63rd AGM of the Company to be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 29 April 2019 at 10:00 am and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the 63rd AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the 63rd AGM and at any adjournment thereof.

(If you wish to exercise all your votes "For" or "Against", please tick with "✓" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.)

No.	Resolutions	For	Against
Ordinary Business			
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018, together with the auditors' report thereon.		
2.	To approve the directors' fees for the year ended 31 December 2018.		
3.	To re-elect Mr Ong Eng Chian Kelvin as a director.		
4.	To re-elect Mr Lim Lee Meng as a director.		
5.	To re-elect Mr Hee Theng Fong as a director.		
6.	To re-elect Mr Ong Eng Mien Malcolm as a director.		
7.	To re-appoint KPMG LLP as auditors and to authorise the directors to fix their remuneration.		
Special Business			
8.	General authority to the directors to issue shares and/or Instruments.		

Signed this ______________________ day of April 2019.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	
Total	

____
Signature(s) of member(s)/Common Seal

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of ordinary shares in the capital of the Company (***Shares***) held. If the member has Shares entered against his name in the Depository Register, he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all Shares held by the member.

2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company. Where such member's form of proxy appoints more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the appointments shall be invalid unless the member's form of proxy specifies the number and class of shares in relation to which each proxy has been appointed.

   "relevant intermediary" has the meaning ascribed to it in section 181 of the Companies Act, Chapter 50.

5. This instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company)) must be deposited at the registered office of the Company at 3C Toh Guan Road East #01-03 Singapore 608832 not less than 48 hours before the time appointed for the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of its attorney duly authorised.

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 Annual General Meeting, in accordance with section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of 63rd AGM.

Special Note: Dress Code

Please be informed that the 63rd Annual General Meeting shall be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 and the shareholders of the Company (and their respective proxies) are requested NOT to wear singlets, running shorts and slippers. Your co-operation in complying with The Chevron's dress code is greatly appreciated.

TYE SOON LIMITED

3C Toh Guan Road East #01-03
Singapore 608832
Tel : (65) 6567 8601
Fax: (65) 6567 8884

Registration No. 195700114W