Matex®

Your One-Stop Solution
Strategic Partner

Matex International Limited
万得国际有限公司

ANNUAL REPORT 2017

CONTENTS

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

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

The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist, Investment Banking and Mr Lee Chee Cheong, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dr Tan Pang Kee
CEO / Managing Director

Mr Foo Der Rong
Independent Director

Mr Wang Dao Fu
Independent Director

Mr Tan Guan Liang
(Chen Guanliang)
Executive Director

COMPANY SECRETARIES

Mr Chew Kok Liang
Ms Lissa Siau

SHARE REGISTRAR

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

REGISTERED AND BUSINESS OFFICE

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

AUDITORS

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

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

PRINCIPAL BANKERS

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

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

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

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

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

CORPORATE PROFILE

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

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

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

OUR **VISION**

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

OUR **MISSION**

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

OUR **VALUES**

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

OUR **PROMISE**

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

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

GROUP STRUCTURE

MIL
(Holding Co., Singapore)

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

Matex Chemicals (Taixing) Co., Ltd

Amly Chemicals Co., Ltd

Shanghai Matex Chemicals Co., Ltd

Unimatex Sdn Bhd.

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

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

DPL - Dedot Pte Ltd
(帝得貿易私人有限公司)

USB - Unimatex Sdn Bhd
(全万得私人有限公司)

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

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

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

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

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

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

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2017: ADAPT, ADJUST & ADAPT!

We would like to begin by wishing all a very happy, healthy and successful year ahead.

In 2017, Matex continued to work hard towards sustainable growth and strive for a balanced, profitable business despite difficult conditions.

At the Singapore Budget 2017 themed: Moving Forward Together, Finance Minister Mr Heng Swee Keat quoted Matex in Parliament as a good example of a Singapore enterprise constantly adapting, creating new values and technology solutions to open up new business opportunities.

Matex participated at the 17th China International Dye Industry, Pigment and Textile Chemicals Exhibition – China Interdye 2017 from 12 to 14 April 2017 at the Shanghai World Expo Exhibition & Convention Center. It launched **Megapro ECO**, a system which eliminates the need for salt in exhaust dyeing. This is an environmental revolution which Matex is working closely with its strategic partners and customers to commercialize it quickly.

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

The company was invited to be a regular member partner at Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers ("**ETAD**"). It was founded in 1974 as an international organization of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information.

Going forward, the Group will be working hard to develop stronger supply chain partnerships and use latest available technologies to improve its operational efficiencies and further diversify into complementary areas of the clean colour science business.

It will pursue better sales outside its main PRC market in its vision to internationalize Matex and its Matex® brand. We will strive to constantly optimize our manufacturing facilities to drive down cost.

During the course of the year, in our efforts as a responsible corporate citizen, we had continued to play our part to champion a growing diversity of programs and initiatives to give back to society as part of our ongoing CSR initiatives. Some of the highlights include;

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

2) The Group released its 2017 COP (Communication on Progress Report) on the UN Global Compact Website. We are constantly on the lookout for ways to reduce our impact on the environment by lowering carbon emissions and improving energy efficiencies in our daily operations.

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

REVIEW OF OPERATIONAL RESULTS

REVENUE

The Group recorded a total revenue of S$50.6m for the full year ended 31 December 2017 ("**FY2017**"), a drop of S$27.1m or 34.9% in comparison to S$77.7m for the corresponding year ended 31 December 2016 ("**FY2016**"). The reduction in sales during the year is a result of decline in production, as we are in the process of converting from the less efficient coal-burning heaters to higher efficiency and more environmentally friendly gas-burning heaters at our Taixing plant in order to comply with the Chinese Government's requirement. The second phase of transforming the fuel source has recently been completed, and is currently undergoing the testing stage. We are targeting to achieve full capacity production by the middle of this year.

GROSS PROFIT

As a result of the decline in revenue and with much of the direct cost such as labour cost remaining status quo, the Group's FY2017 gross profit has decreased by S$10.4m or 84.3% to S$1.9m (FY2016: S$12.3m).

NET OPERATING EXPENSES

Net operating expenses have increased by S$3.0m from S$13.0m in FY2016 to S$16.0m in FY2017. The increase is due to a significant increase in general and administrative expenses by S$3.1m or 38.1%, mainly due to impairment of long overdue trade receivables of S$1.0m; allowance of inventory obsolescence for about S$1.4m and impairment of obsoleted plant and equipment of S$0.7m.

The increase is partially offset by the decrease in selling and distribution expenses by S$1.7m or 33.4%, attributable to a decrease in both sales commission paid to sales agents and transportation cost. The reduction of these costs were the result of decline in sales.

NET FINANCIAL EXPENSE

The Group recorded a net financial expense of S$342k in FY2017, as compared to an amount of S$366k in FY2016. The decrease in net financial expense is mainly due to decrease in financial cost of S$24k.

TAX

Taxation is in line with profits made by profitable subsidiaries in China and the reduction in tax incurred in FY2017, was due to lower profits generated for the year. There is no such tax charge for other entities in the Group due to their unutilised losses carried forward. The losses made by these entities cannot be used to offset the profits generated by the profitable subsidiaries, as they are not assessed by the same tax jurisdiction.

NET RESULTS

As a result of the above, the Group registered a loss before tax of S$14.4m for FY2017 as compared to loss before tax of S$1.0m for FY2016. The loss after tax attributable to equity holders of the Company is approximately S$9.7m in FY2017, as compared to the loss after tax of S$1.5m recorded in FY2016.

FINANCIAL POSITION

The Group's property, plant and equipment ("**PPE**") including land use rights are at S$15.1m and S$17.2m as at 31 December 2017 and 31 December 2016 respectively. The reduction in PPE was attributed by depreciation and amortisation charges of S$1.9m, S$0.7m of fixed assets being disposed of and S$0.7m of fixed assets written off. The reduction in PPE was partially offset by approximately S$1.2m incurred for capital expenditure in FY2017. The capital expenditure was largely incurred for constructing the natural gas burner, due to new regulations set by China to use a cleaner fuel source.

Inventories are at S$17.8m and S$11.7m as at 31 December 2016 and 31 December 2017 respectively. As a result of lower production, the inventories have declined by S$6.1m.

Trade and notes receivables have decreased from S$30.7m for FY2016 to S$18.9m for FY2017, mainly due to the reduction in sales.

Other receivables have decreased from S$1.2m for FY2016 to S$0.9m for FY2017.

Cash and cash equivalents for the year increased from S$7.1m as at 31 December 2016 to S$11.6m as at 31 December 2017. The increase in cash was mainly due to increase in short term loan.

Trade payables have increased from S$6.1m in FY2016 to S$7.2m in FY2017. The increase in trade payables was due to longer credit term granted by suppliers.

Term loan has increased from S$5.7m in FY2016 to S$8.9m in FY2017. Approximately S$3.3m of short term loan was drawn down by one of the Group's PRC subsidiaries in the last quarter of FY2017 and this is partially offset by loan repayment made by a Singapore subsidiary of about S$0.1m. As a result, cash balance has proportionately increased.

Overall, Group's equity as at 31 December 2017 was S$38.7m, a reduction of S$15.3m or 28.3% from the position as at 31 December 2016. This is mainly attributed to loss incurred during FY2017.

CASH FLOW POSITION

Net cash used in operating activities

In FY2017, approximately S$0.9m of net cash was used in operating activities, which was a result of operating loss before changes in working capital of S$8.7m, net working capital inflows of approximately S$8.1m and net interest expense of S$0.3m.

Net cash used in investing activities

In FY2017, the Group's net cash outflow from investing activities amounted to approximately S$0.9m, which was mainly due to purchases of property, plant and equipment of S$1.1m, partially offset by proceeds from disposal of property, plant and equipment of approximately S$0.2m.

Net cash from financing activities

In FY2017, the Group's net cash inflow from financing activities amounted to approximately S$6.3m. This was mainly due to decline in restricted cash of S$0.9m; net proceeds from short term loan of approximately S$3.3m; decrease in note receivables from banks of approximately S$4.5m and offset by decrease in bill payables to bank of S$2.4m.

FUTURE OUTLOOK

2018 is expected to be a challenging year for the global economy. Key themes that are expected to play out during the year include US-led conflict over trade, even stricter environmental controls and a continued rise in disruptive technologies.

Companies will need to cope with disruptive macro trends that have now become the norm: more orders in smaller quantities and shorter lead time, rapid technology advancement, the pressures of e-commerce and fast fashion, the need for manufacturers to upgrade their capabilities including digitalisation of their processes.

MESSAGE TO SHAREHOLDERS

Fashion brands and retailers are facing strong pressure on growth and margins, which will continue well into 2018. Faced with consumer demand for fast fashion at competitive prices and a proliferation of choice, retailers are struggling with high inventories and slow sales. In parallel, rising apparel sourcing and production costs are heavily impacting margins, which will translate to cost pressure on the group.

Although China is the largest textile market and consumer of textile dyes and chemicals in the world, a good part of its export still depends on the US and European markets to sustain production orders. With the current uncertainty in global demand for textile and textile dyes and chemicals, along with the rising competitiveness from India, the group expects continued stiff price competition. The group is putting all efforts to retain and maintain its market share. It also hopes to speedily commercialize its innovative solutions to allow it to differentiate and create sustainable profits from new markets.

Due to the sudden surge in consumption and a limited supply of natural gas in China, the group is faced with further cost increases and has to better manage its resources to mitigate that. The group's upgrade of its less efficient coal burners to more efficient and environmentally friendly gas burners has also been further delayed due to increased regulatory checks and requirements. It expects to meet these requirements soonest and target to have the upgrade to complete by the first half of 2018.

Barring any unforeseen circumstances, the group expects production in 2018 to improve as compared to 2017.

WORDS OF APPRECIATION

On behalf of the Board, we wish to extend our heartfelt gratitude to all our valued customers, business partners, associates and stakeholders, for your trust, support and confidence in Matex.

We will continue to strive for adaptability, resilience and pursue opportunities that will better augment the Group for better sustainable growth and value creation.

We would also like to take the opportunity to thank all at Matex for your unwavering support and dedication to the company. It is due to the combined efforts of everyone that we have achieved the important milestones in 2017. It is also our strong belief that only with a committed team will Matex continue to elevate to greater heights.

Yours sincerely,

Dr John Chen Seow Phun
Non-Executive Chairman

Dr Alex Tan Pang Kee
CEO/Managing Director

BOARD OF DIRECTORS

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

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

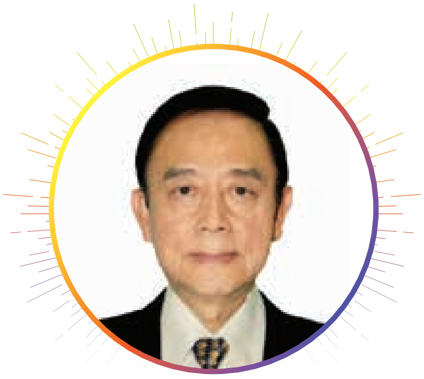
MR FOO DER RONG
Independent Director

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

MR WANG DAO FU
Independent Director

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

BOARD OF DIRECTORS



Dr TAN PANG KEE
Managing Director &
Chief Executive Officer

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

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

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

Mr TAN GUAN LIANG
Executive Director

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

KEY MANAGEMENT

Mr TAN PANG SIM
Director / General Manager of Unimatex Sdn Bhd

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

Ms SERINE YEO NGEN HUAY
Chief Financial Officer

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

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

FINANCIAL HIGHLIGHTS

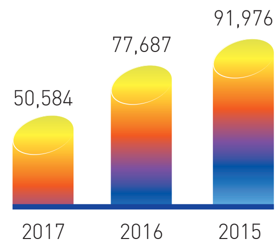
GROUP CONSOLIDATED STATEMENTS

	2017	2016	2015
Statement of Comprehensive Income ($'000)			
Revenue	**50,584**	77,687	91,976
Gross Profit	**1,929**	12,308	13,134
Net operating & financial expenses	**(16,345)**	(13,337)	(13,594)
Loss before tax	**(14,416)**	(1,029)	(460)
Income tax	**(287)**	(454)	(993)
Loss after tax	**(14,703)**	(1,483)	(1,453)
Attributable to:			
Owners of the parent	**(9,628)**	(1,466)	(1,631)
Non-controlling interests	**(5,075)**	(17)	178
	(14,703)	(1,483)	(1,453)
Loss per share (cents)*	**(3.60)**	(0.55)	(0.61)
Balance Sheet ($'000)			
Property, plant and equipment	**14,335**	16,352	17,088
Other non-current assets	**2,072**	2,885	3,477
Current assets	**46,079**	57,145	67,082
Less: current liabilities	**(23,800)**	(22,654)	(30,001)
Net current assets	**22,279**	34,491	37,081
Non current liabilities	**(26)**	(39)	(46)
	38,660	53,689	57,600
Owners of the parent	**28,071**	37,778	40,923
Non-controlling interests	**10,589**	15,911	16,677
	38,660	53,689	57,600
Net asset value per share (cents)**	**10.50**	14.13	15.30

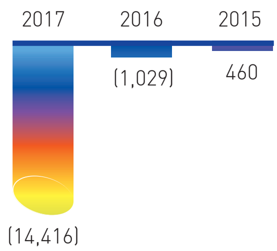
* Loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2016/2015: 267,392,320/267,392,320) shares.

** The net asset value per share as at 31 December 2017 are computed based on 267,392,320 (2016/2015: 267,392,320/267,392,320) ordinary shares.

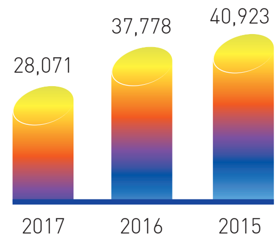
REVENUE ($'000)



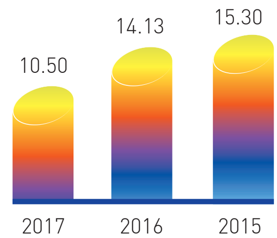
(LOSS)/PROFIT BEFORE TAX ($'000)



SHAREHOLDERS' EQUITY ($'000)



NET ASSET VALUE PER SHARE (CENTS)



FINANCIAL

Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of Matex International Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

Dr John Chen Seow Phun
Dr Tan Pang Kee
Mr Foo Der Rong
Mr Tan Guan Liang (Chen Guanliang)
Mr Wang Dao Fu (appointed on 11 January 2017)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
	At 1.1.2017	**At 31.12.2017**	**At 1.1.2017**	**At 31.12.2017**
The Company				
(Ordinary shares)				
Dr John Chen Seow Phun	100,000	100,000	–	–
Dr Tan Pang Kee	58,232,000	58,343,000	–	–
Mr Tan Guan Liang (Chen Guanliang)	590,000	590,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

AUDIT COMMITTEE

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

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

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

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

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

Directors' Statement

AUDIT COMMITTEE (CONTINUED)

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

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

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

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

AUDITOR

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

On behalf of the board of directors:

Dr Tan Pang Kee
Director

Mr Tan Guan Liang (Chen Guanliang)
Director

Singapore
28 March 2018

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We audited the financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

OPINION

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believed 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

RECOVERABILITY OF TRADE ACCOUNT RECEIVABLES

The gross balance of the Group's trade receivables as at 31 December 2017 is $17.7mil, against which allowance for doubtful debts of $5.1mil was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by local management of the respective subsidiaries. The determination of the collectability of trade receivables and assessment of the related allowance for doubtful debt involve significant management judgement. As disclosed in Note 2.4 (a) to the financial statements, management considers the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of customers in determining the allowance for doubtful debts. Accordingly, we determined that this is a key audit matter.

As part of our audit, we assessed the Group's processes and controls relating to the monitoring of trade receivables and reviewed aging of receivables to identify collection risks. We requested for trade receivable confirmations and reviewed management's reconciliation of confirmation replies, where applicable. We also performed procedures to check for receipts from selected customers subsequent to the financial year end. We reviewed management's assumptions used in assessing the adequacy of the amount of allowance for doubtful debts through review of specific debtors' payment histories and management's assessment of the credit risk of these debtors. We also considered the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 14, 30(a) and 30(b) to the financial statements.

ALLOWANCE FOR SLOW-MOVING AND OBSOLETE INVENTORIES

The gross balance of the Group's inventories as at 31 December 2017 is $13.2mil, against which allowance for inventory obsolescence of $1.5mil was made. As disclosed in Note 2.4 (a) to the financial statements, management has to exercise significant judgement to determine the amount of allowance for slow-moving and obsolete inventories by considering factors such as the condition and age of the inventory, future market demand, environmental regulations requirements and pricing competition. Accordingly, we determined that this is a key audit matter.

As part of our audit, we attended and observed management's inventory counts at selected inventory locations, including the identification of damaged, slow-moving, and obsolete inventories by management. We evaluated management's inventory obsolescence allowance policies and tested management's inventories aging analyses. We assessed the adequacy of the Group's allowance for slow-moving and obsolete inventories by comparing the carrying values of these inventories against their estimated net releasable values indicated by the actual and or expected selling prices of the inventories in the recent sales transactions or upcoming customer orders. We also considered the adequacy of the disclosures related to inventories in Note 13 to the financial statements.

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

As disclosed in Notes 8 and 9 to the Group's financial statements, the carrying amount of the Group's property, plant and equipment, and land use right as at 31 December 2017 are $14.3 million and S$0.8mil, respectively. These assets are mainly attributable to the Group's textile dye production facilities in China, a cash generating unit ('CGU') that has incurred losses during the year. Management has performed an impairment assessment on this CGU and no impairment has been recorded based on their estimation of recoverable amount. As disclosed in Note 2.4 (a) to the financial statements, the estimation of recoverable amount involves significant management judgement in determining the key assumptions and inputs for the CGU's forecasted future cash flows and the applicable discount rate. Accordingly, we determined that this is a key audit matter.

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

OTHER INFORMATION

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

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

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

To the Members of Matex International Limited

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 auditor's report is Mr. Yong Kok Keong,

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	3	**50,584**	77,687
Cost of sales		**(48,655)**	(65,379)
Gross profit		**1,929**	12,308
Other income		**–**	112
Selling and distribution expenses		**(3,369)**	(5,057)
Administrative expenses		**(11,079)**	(8,025)
Other operating expenses		**(1,555)**	(1)
Finance income	4	**437**	436
Finance expenses	4	**(779)**	(802)
Loss before tax	5	**(14,416)**	(1,029)
Income tax expense	7	**(287)**	(454)
Loss after tax		**(14,703)**	(1,483)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		**(326)**	(2,428)
Other comprehensive income for the year, net of tax		**(326)**	(2,428)
Total comprehensive income for the year		**(15,029)**	(3,911)
Loss attributable to:			
Owners of the parent		**(9,628)**	(1,466)
Non-controlling interests		**(5,075)**	(17)
		(14,703)	(1,483)
Total comprehensive income attributable to:			
Owners of the parent		**(9,707)**	(3,145)
Non-controlling interests		**(5,322)**	(766)
		(15,029)	(3,911)
Loss per share			
– basic and diluted (cents)	26	**(3.60)**	(0.55)

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

Balance Sheets

AS AT 31 DECEMBER 2017

	Note	Group	
		2017	2016
		$'000	$'000
Non-current assets			
Property, plant and equipment	8	**14,335**	16,352
Land use rights	9	**806**	889
Intangible assets	10	**14**	43
Investment properties	11	**36**	36
Trade and notes receivables	14	**1,216**	1,917
Current assets			
Inventories	13	**11,657**	17,810
Trade and notes receivables	14	**17,717**	28,792
Other receivables and deposits	15	**868**	1,247
Advances to suppliers		**3,795**	970
Prepayments		**424**	292
Fixed deposits	16	**2,723**	4,692
Cash and bank balances	16	**8,895**	3,342
		46,079	57,145
Current liabilities			
Trade payables	17	**7,215**	6,132
Bills payable to banks	18	**175**	2,575
Other payables and accruals	19	**6,914**	7,823
Advances from customers		**93**	73
Finance lease liabilities	20	**15**	22
Term loans	21	**8,930**	5,702
Tax payable		**250**	327
Deferred tax liabilities		**208**	–
		23,800	22,654
Net current assets		**22,279**	34,491
Non-current liabilities			
Finance lease liabilities	20	**26**	39
Net assets		**38,660**	53,689
Equity			
Share capital	22	**23,406**	23,406
Capital reserve	23	**294**	294
Enterprise expansion reserve	24	**4,369**	4,369
General reserve	24	**4,369**	4,369
Translation reserve	25	**(79)**	–
(Accumulated losses)/retained earnings		**(4,288)**	5,340
		28,071	37,778
Non-controlling interests		**10,589**	15,911
Total equity		**38,660**	53,689

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

Balance Sheets

AS AT 31 DECEMBER 2017

	Note	Company	
		2017	2016
		$'000	$'000
Non-current assets			
Property, plant and equipment	8	**206**	249
Intangible assets	10	**–**	4
Investment in subsidiaries	12	**13,055**	12,055
Trade and notes receivables	14	**1,188**	1,889
Current assets			
Inventories	13	**33**	80
Trade and notes receivables	14	**2,115**	2,374
Other receivables and deposits	15	**1,500**	897
Prepayments		**22**	24
Fixed deposits	16	**900**	3,004
Cash and bank balances	16	**237**	234
		4,807	6,613
Current liabilities			
Trade payables	17	**5**	–
Other payables and accruals	19	**639**	504
Finance lease liabilities	20	**5**	11
Term loans	21	**–**	500
		649	1,015
Net current assets		**4,158**	5,598
Non-current liabilities			
Finance lease liabilities	20	**–**	4
Net assets		**18,607**	19,791
Equity			
Share capital	22	**23,406**	23,406
Accumulated losses		**(4,799)**	(3,615)
Total equity		**18,607**	19,791

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

Statements of Changes in Equity

AS AT 31 DECEMBER 2017

Group	Attributable to equity holders of the Company								
	Share capital $'000	Capital reserve $'000	Enterprise expansion reserve $'000	General reserve $'000	Translation reserve $'000	(Accumulated losses)/ retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Opening balance as at 1 January 2016	23,406	294	4,369	4,369	1,679	6,806	40,923	16,677	57,600
Loss for the year	–	–	–	–	–	(1,466)	(1,466)	(17)	(1,483)
Other comprehensive income for the year	–	–	–	–	(1,679)	–	(1,679)	(749)	(2,428)
Total comprehensive income for the year	–	–	–	–	(1,679)	(1,466)	(3,145)	(766)	(3,911)
Closing balance as at 31 December 2016	23,406	294	4,369	4,369	–	5,340	37,778	15,911	53,689
Opening balance as at 1 January 2017	**23,406**	**294**	**4,369**	**4,369**	**–**	**5,340**	**37,778**	**15,911**	**53,689**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(9,628)**	**(9,628)**	**(5,075)**	**(14,703)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(79)**	**–**	**(79)**	**(247)**	**(326)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(79)**	**(9,628)**	**(9,707)**	**(5,322)**	**(15,029)**
Closing balance as at 31 December 2017	**23,406**	**294**	**4,369**	**4,369**	**(79)**	**(4,288)**	**28,071**	**10,589**	**38,660**

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

Statements of Changes in Equity

AS AT 31 DECEMBER 2017

Company	**Share capital $'000**	**Accumulated losses $'000**	**Total $'000**
Opening balance as at 1 January 2016	23,406	(2,073)	21,333
Loss for the year	–	(1,542)	(1,542)
Closing balance as at 31 December 2016	23,406	(3,615)	19,791
Opening balance as at 1 January 2017	**23,406**	**(3,615)**	**19,791**
Loss for the year	**–**	**(1,184)**	**(1,184)**
Closing balance as at 31 December 2017	**23,406**	**(4,799)**	**18,607**

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Loss before tax		**(14,416)**	(1,029)
Adjustments:			
Amortisation of intangible asset	10	**27**	31
Amortisation of land use rights	9	**70**	70
Depreciation of property, plant and equipment	8	**1,788**	2,008
Loss/(gain) on disposal of property, plant and equipment		**629**	(5)
Impairment of trade receivables	14	**1,048**	11
Allowance of inventory obsolescence	13	**1,463**	25
Interest expense	4	**779**	802
Interest income	4	**(437)**	(436)
Property, plant and equipment written off	5	**666**	–
Gain on foreign exchange		**(352)**	(88)
Operating (loss)/profit before working capital changes		**(8,735)**	1,389
Decrease in inventories		**4,429**	2,256
Decrease in trade and other receivables		**6,147**	6,201
Increase in prepayment		**(135)**	(75)
Increase in advances to suppliers		**(2,826)**	(746)
Increase/(decrease) in trade and other payables		**344**	(3,294)
Increase/(decrease) in advances from customers		**21**	(9)
Increase in tax payables		**208**	–
Cash (used in)/generated from operations		**(547)**	5,722
Interest paid		**(779)**	(802)
Interest received		**437**	436
Income tax refunded/(paid)		**4**	(704)
Net cash (used in)/generated from operations		**(885)**	4,652
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(1,149)**	(2,018)
Proceeds from disposal of property, plant and equipment		**262**	6
Purchase of intangible assets		**(5)**	–
Net cash used in investing activities		**(892)**	(2,012)
Cash flows from financing activities			
Decrease/(increase) in restricted cash		**905**	(905)
Proceeds from loans and borrowings		**3,383**	–
Repayment of finance lease obligations		**(20)**	(13)
Repayment of loans and borrowings		**(67)**	(5,207)
Decrease/(increase) in note receivables from banks		**4,543**	(4,365)
(Decrease)/increase in bills payable to banks		**(2,378)**	2,557
Net cash generated/(used in) from financing activities		**6,366**	(7,933)
Net increase/(decrease) in cash and cash equivalents		**4,589**	(5,293)
Effect of exchange rate changes on cash and cash equivalents		**(100)**	(582)
Cash and cash equivalents at beginning of financial year		**7,129**	13,004
Cash and cash equivalents at end of financial year	16	**11,618**	7,129

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

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

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

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

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2017, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of providing manufacturing and sale of chemical and dyes products. The Group expects the following impact upon adoption of FRS 115:

Allocating transaction price to performance obligations:

The Group enters into bundle contracts with the customers. Under FRS 115, the Group has to allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. The Group does not expect the application of the new methodology to have significant impact on the Group's financial performance upon adoption of FRS 115.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

The Company currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Company will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Company applies FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

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

- *Impairment of trade receivables*

  The Group makes an impairment of trade receivables based on an assessment of the recoverability of trade receivables. Impairment is adopted to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, it requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and expensed off as impairment of receivables in the period in which such estimate has been changed.

  The carrying amount of the Group's trade receivables at the end of the reporting period is $12,611,000 (2016: $19,669,000).

- *Impairment of inventory*

  An impairment review is made periodically on inventory for slow moving inventory, obsolescence and decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventory. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of Group's inventories at the end of the reporting period is disclosed in Note 13 to the financial statements.

  The carrying amount of the Group's inventory at the end of the reporting period is $11,657,000 (2016: $17,810,000).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(a) Key sources of estimation uncertainty (Continued)

- *Impairment of property, plant and equipment and land use rights*

  The Group reviews periodically whether its property, plant and equipment and land use rights relating to its textile dye production facility have suffered any impairment in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of the production facility, being defined as a cash-generating unit ('CGU'), have been determined based on value-in-use calculations. Value-in-use calculations are based on contracted cash flows and estimates of uncontracted cash flows over the average useful lives of the facility, including residual values discounted by an estimated discount rate. Assumptions on uncontracted cash flows are based on several variables, such as revenue growth rates, profit margins and the discount rate. The key assumptions used for the impairment testing of the CGU are described in Note 8.

  All impairment assessment calculations demand a high degree of estimation. Management must make complex assessment of the expected cash flows arising from the CGU and the applicable discount rates. Changes to these estimates could have significant impact on the impairments recognised and future changes may lead to reversals of recognised impairment.

(b) Judgements made in applying accounting policies

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries and basis of consolidation

(a) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) Basis of consolidation

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries and principles of consolidation (Continued)

(b) Basis of consolidation (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of the non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as interest accrues using the effective interest method.

(c) Dividend income

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.10 Leases

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

2.11 Taxes

(a) Current income tax

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

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Taxes (Continued)

(b) Deferred tax

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Taxes (Continued)

(b) Deferred tax (Continued)

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

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

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

(c) Sales tax

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Property, plant and equipment

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

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

Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years
Leasehold properties	20 to 94 years

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit and loss in the year the asset is derecognised.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Land use rights

Land use rights relate to properties in the PRC.

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

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

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

2.14 Intangible assets

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Intangible assets(Continued)

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

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

2.15 Investment properties

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

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

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

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

2.16 Impairment of non-financial assets

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets (Continued)

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

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

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

2.17 Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial assets(Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process.

De-recognition

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

2.18 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.19 Cash and cash equivalents

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Inventories

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

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

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

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

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

2.21 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Provisions

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

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

2.23 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

2.24 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiary company in Malaysia makes contribution to the Employee Provident Fund ("EPF"). The subsidiary companies incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary companies' PRC employees.

Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share capital and share issue expenses

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

2.26 Segment reporting

Management has identified the Group operating entities by geographical segment. The Group is engaged in providing products within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.27 Contingencies

A contingent liability is:

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

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

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

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

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. REVENUE

Revenue represents sales of goods to customers, less discounts given and excludes sales tax.

4. FINANCE INCOME/(EXPENSES)

	Group	
	2017	**2016**
	$'000	**$'000**
Interest income		
– fixed deposits and bank balances	**437**	436
Interest expenses		
– term loans	**(775)**	(784)
– letters of credit and trust receipts	**(1)**	(5)
– finance leases	**(3)**	(13)
	(779)	(802)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. LOSS BEFORE TAX

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

	Group	
	2017	**2016**
	$'000	**$'000**
Amortisation of intangible assets (Note 10)	**(27)**	(31)
Amortisation of land use rights (Note 9)	**(70)**	(70)
Depreciation of property, plant and equipment (Note 8)	**(1,788)**	(2,008)
Inventories recognised as an expense in cost of sales (Note 13)	**(46,418)**	(60,801)
Audit fees paid to:		
– Auditor of the Company	**(68)**	(68)
– Other auditors	**(224)**	(164)
Non-audit fees paid to:		
– Auditor of the Company	**(9)**	(9)
– Other auditors	**(2)**	(2)
Personnel expenses (Note 6)	**(4,537)**	(5,313)
Impairment of trade receivables (Note 14)	**(1,048)**	(11)
Inventories written down (Note 13)	**(1,463)**	(25)
Property, plant and equipment written off	**666**	–
Foreign exchange loss	**(443)**	(13)
(Loss)/gain on disposal of property, plant and equipment	**(629)**	5
Operating lease expense	**(721)**	(546)
Transportation expense	**(746)**	(1,200)
Government grants	**54**	99

6. PERSONNEL EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries and bonus	**4,344**	5,087
Pension contributions	**186**	194
Other personnel expenses	**7**	32
	4,537	5,313

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. INCOME TAX EXPENSE

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

	Group	
	2017	**2016**
	$'000	**$'000**
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**266**	438
– Under provision in respect of previous years	**21**	16
Income tax expense recognised in profit or loss	**287**	454

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Loss before tax	**(14,416)**	(1,029)
Tax at statutory tax rates of 17% (2016: 17%)	**(2,450)**	(175)
Tax effect of:		
Non-deductible expenses	**1,016**	112
Income not subject to taxation	**(68)**	(27)
Difference in tax rates applicable to overseas operations	**83**	45
Utilisation of deferred tax assets not previously recognised	**(59)**	(20)
Deferred tax assets not recognised	**1,701**	477
Under provision of income tax in prior year	**21**	16
Others	**43**	26
Income tax expense recognised in profit or loss	**287**	454

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. INCOME TAX EXPENSE (CONTINUED)

The subsidiaries in the Group operating in the PRC are subject to tax rate of 25% (2016: 25%).

The Group's subsidiaries, operating in Malaysia, are subject to statutory tax of 24% (2016: 24%).

The corporate income tax rate applicable to the Company in Singapore is 17% (2016: 17%).

As at 31 December 2017, the Group and Company has unutilised tax losses of approximately $32,900,000 (2016: $22,876,000) and $21,474,000 (2016: $19,649,000) available for set off against future taxable income, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost						
As at 1 January 2016	17,936	14,766	1,154	1,873	90	35,819
Additions	482	317	130	23	1,066	2,018
Disposals	–	(15)	–	(28)	–	(43)
Exchange differences	(633)	(589)	(112)	(36)	(4)	(1,374)
As at 31 December 2016 and 1 January 2017	17,785	14,479	1,172	1,832	1,152	36,420
Additions	473	367	133	27	149	1,149
Disposals	(537)	(1,654)	(518)	(193)	(79)	(2,981)
Exchange differences	(238)	(194)	(10)	(44)	(16)	(502)
As at 31 December 2017	17,483	12,998	777	1,622	1,206	34,086
Accumulated depreciation						
As at 1 January 2016	6,692	9,927	785	1,327	–	18,731
Charge for the year (Note 5)	780	1,044	76	108	–	2,008
Disposals	–	(14)	–	(28)	–	(42)
Exchange differences	(249)	(368)	(2)	(10)	–	(629)
As at 31 December 2016 and 1 January 2017	7,223	10,589	859	1,397	–	20,068
Charge for the year (Note 5)	696	809	188	95	–	1,788
Disposals	(81)	(1,163)	(421)	(163)	–	(1,828)
Exchange differences	(107)	(149)	(40)	19	–	(277)
As at 31 December 2017	7,731	10,086	586	1,348	–	1,9751
Net carrying amount						
As at 31 December 2017	9,752	2,912	191	274	1,206	14,335
As at 31 December 2016	10,562	3,890	313	435	1,152	16,352

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its production facility and equipment, which is defined as the cash generating unit ('CGU'), because it has been making losses in the current financial year. No impairment loss was made for the financial year ended 31 December 2017 as the recoverable amount of the CGU has exceeded the net book value of the assets involved. The recoverable amount is determined based on future forecasted cash flows and the applicable pre-tax discount rate of 15%.

An increase in discount rate of 4% will lead to a decrease in recoverable amount of $$2.6mil and a decrease in revenue growth of 5% will lead to a decrease in recoverable amount of S$0.9mil.

Company	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Total $'000
Cost					
As at 1 January 2016	162	776	150	356	1,444
Additions	–	–	–	23	23
Disposals	–	(15)	–	(28)	(43)
As at 31 December 2016 and 1 January 2017	162	761	150	351	1,424
Additions	–	–	–	–	–
Disposals	–	(123)	–	–	(123)
As at 31 December 2017	162	638	150	351	1,301
Accumulated depreciation and impairment loss					
As at 1 January 2016	118	653	31	356	1,158
Charge for the year	8	28	21	3	60
Disposals	–	(15)	–	(28)	(43)
As at 31 December 2016 and 1 January 2017	126	666	52	331	1,175
Charge for the year	8	27	3	4	42
Disposals	–	(122)	–	–	(122)
As at 31 December 2017	134	571	55	335	1,095
Net carrying amount					
As at 31 December 2017	28	67	95	16	206
As at 31 December 2016	36	95	98	20	249

(a) Construction-in-progress as at 31 December 2017 relates to the construction of the factory building and facilities of subsidiaries in Taixing, Jiangsu Province, the PRC.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. LAND USE RIGHTS

The land use rights held by the Group relate to properties at No. 8 Zhanan South Road & No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, the PRC and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, the PRC. The land use rights have a 50-year tenure commencing at various dates from 1998 to 2006. The remaining amortisation period of the land use rights in Jiangsu Province and Tang-Zhen Pudong are 6 years (2016: 7 years) and 9 years (2016: 10 years), respectively.

	Group	
	2017	**2016**
	$'000	**$'000**
Cost		
At beginning of year	**2,185**	2,287
Exchange differences	**(30)**	(102)
At end of year	**2,155**	2,185
Accumulated amortisation		
At beginning of year	**1,296**	1,283
Amortisation (Note 5)	**70**	70
Exchange differences	**(17)**	(57)
At end of year	**1,349**	1,296
Net carrying amount	**806**	889

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. INTANGIBLE ASSETS

	Group			Company
	Technical Know-how $'000	Software $'000	Total $'000	Technical Know-how $'000
Cost				
At 1 January 2016	267	234	501	267
Exchange differences	–	18	18	–
At 31 December 2016 and 1 January 2017	267	252	519	267
Additions	–	5	5	–
Exchange differences	–	(26)	(26)	–
At 31 December 2017	267	231	498	267
Accumulated amortisation and impairment				
At 1 January 2016	254	174	428	254
Amortisation (Note 5)	9	22	31	9
Exchange differences	–	17	17	–
At 31 December 2016 and 1 January 2017	263	213	476	263
Amortisation (Note 5)	4	23	27	4
Exchange differences	–	(19)	(19)	–
At 31 December 2017	267	217	484	267
Net carrying amount				
At 31 December 2017	–	14	14	–
At 31 December 2016	4	39	43	4

Technical know-how and software

Technical know-how allows the Company to enhance the Group's product range in the pre-treatment and finishing stages of the textile dyeing.

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. INVESTMENT PROPERTIES

Group	**Leasehold Land $'000**
Cost	
As at 1 January 2016 and 31 December 2016	36
Exchange differences	–
As at 31 December 2017	36
Net carrying amount	
As at 31 December 2017	36
As at 31 December 2016	36

The investment properties held by the Group relate to long term leasehold land at Lot 198775 & 198776, R.P.T. Ulu Buntong, Mukim Hulu Kinta, Perak, Malaysia. The investment property has a 99-year tenure ending in 2090. Investment properties are measured at cost less any impairment.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 $'000	**2016 $'000**
Unquoted equity shares, at cost	**13,090**	12,090
Less: Impairment loss	**(35)**	(35)
	13,055	12,055

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest 2017 %	2016 %
Held by the Company				
Matex Holdings Pte Ltd ("MHPL")[4]	General wholesale trading & dyestuffs manufacturing	Singapore	**100**	100
Shanghai Matex Chemicals Co., Ltd ("SMC")[2]	Manufacturing and sale of dyestuffs	PRC	**60**	60
Unimatex Sdn Bhd ("USB")[1]	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	**100**	100
Amly Chemicals Co., Ltd ("Amly")[2]	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	PRC	**100**	100
Matex Chemicals (Taixing) Co., Ltd ("MCT")[1]	Manufacturing and sale of dyestuffs	PRC	**60**	60
Dedot Sdn Bhd ("DSB")[3]	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	**100**	100
Dedot Pte Ltd ("DPL")[4]	General wholesale trading	Singapore	**100**	100
Held through a subsidiary				
Dedot Trading (Shanghai) Co., Ltd ("DTS")[2]	Import, export and wholesale of all kinds of garments, textile products and chemical products	PRC	**100**	100
Matex Holdings (HK) Ltd ("MHK")	Investment Holding (ceased operations)	Hong Kong	**–**	100

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Impairment on the investment in subsidiary

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

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

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

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

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

On 24 November 2017, MHK was deregistered and ceased to be a subsidiary of the Company.

On 14 March 2017, the Company injected $999,999 into MHPL which were converted into shares at $1 per share. There was no change in shareholding and MHPL remains a wholly owned subsidiary of the Company.

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
31 December 2017:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(3,267)	2,051
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,809)	(1,607)
31 December 2016:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	346	5,318
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(363)	202

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheets

	Shanghai Matex Chemicals Co., Ltd		Matex Chemicals (Taixing) Co., Ltd.	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Assets	**21,254**	29,170	**18,220**	29,643
Liabilities	**(6,818)**	(10,156)	**(18,711)**	(23,564)
Net current assets	**14,436**	19,014	**(491)**	6,079
Non-current				
Assets	**678**	923	**12,091**	14,007
Net non-current assets	**678**	923	**12,091**	14,007
Net assets	**15,114**	19,937	**11,600**	20,086

Summarised statement of comprehensive income

	Shanghai Matex Chemicals Co., Ltd		Matex Chemicals (Taixing) Co., Ltd.	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**15,050**	27,466	**39,485**	58,711
(Loss)/profit before income tax	**(4,524)**	(907)	**(8,095)**	1,216
Income tax expense	**–**	–	**(72)**	(352)
(Loss)/profit after tax	**(4,524)**	(907)	**(8,167)**	864
Other comprehensive income	**(42)**	–	**(23)**	–
Total comprehensive income	**(4,566)**	(907)	**(8,190)**	864

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	**4,566**	5,859	**–**	–
Work in progress	**1,421**	3,636	**–**	–
Finished goods	**5,670**	8,315	**33**	80
Total inventories at lower of cost and net realisable value	**11,657**	17,810	**33**	80
Income statement:				
Inventories recognised as an expense in cost of sales	**46,418**	60,801	**56**	67
Inclusive of the following charge:				
– Inventories written-down	**1,463**	25	**–**	–

14. TRADE AND NOTES RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables				
– Third parties	**17,746**	23,868	**2,870**	3,572
– Amount due from related companies	**–**	–	**1,595**	1,853
Less: Impairment of trade receivables (third parties)	**(5,135)**	(4,199)	**(1,162)**	(1,162)
	12,611	19,669	**3,303**	4,263
Notes receivables	**6,322**	11,040	**–**	–
Total trade and notes receivables	**18,933**	30,709	**3,303**	4,263
Add:				
Other receivables (Note 15)	**270**	1,220	**2**	7
Deposits (Note 15)	**598**	27	**583**	–
Amount due from subsidiaries (Note 15)	**–**	–	**915**	890
Cash and cash equivalents (Note 16)	**11,618**	8,034	**1,137**	3,238
Total loans and receivables	**31,419**	39,990	**5,940**	8,398

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. TRADE AND NOTES RECEIVABLES (CONTINUED)

Trade and notes receivables are presented as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets	**1,216**	1,917	**1,188**	1,889
Current assets	**17,717**	28,792	**2,115**	2,374
	18,933	30,709	**3,303**	4,263

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

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**2,336**	5,142	**3,033**	4,263
Euro Dollar	**–**	89	**–**	–

The notes receivable are with financial institutions in the PRC are non-interest bearing and have repayment terms ranging from 1 to 12 months (2016: 1 to 12 months). All note receivables are denominated in Chinese Renminbi and the nature of note receivables are trade related.

Notes to the Financial Statements

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14. TRADE AND NOTES RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,808,000 (2016: $9,774,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Trade receivables past due but not impaired:		
– Lesser than 3 months	**–**	1,713
– 3 months to 6 months	**2,383**	2,665
– 6 months to 12 months	**693**	1,232
– More than 12 months	**732**	4,164
	3,808	9,774

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Movement in allowance accounts:				
At beginning of year	**4,199**	4,318	**1,162**	1,162
Impairment for the year (Note 5)	**1,048**	11	**–**	–
Exchange differences	**(112)**	(130)	**–**	–
	5,135	4,199	**1,162**	1,162

Concentration of credit risk relating to trade receivables is mitigated due to well managed dispersion of customers. Therefore, the Group believes that no additional credit risk beyond amounts provided for collection loss is inherent in the Group's trade receivables.

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15. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Other receivables	**270**	1,220	**2**	7
Deposits	**598**	27	**583**	–
Amount due from subsidiaries	**–**	–	**915**	890
	868	1,247	**1,500**	897

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	**–**	–	**914**	111
Hong Kong Dollar	**–**	–	**–**	34

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

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

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December were as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at banks and on hand	**8,895**	3,342	**237**	234
Fixed deposits	**2,723**	4,692	**900**	3,004
Less: Restricted cash	**–**	(905)	**–**	–
	11,618	7,129	**1,137**	3,238

Restricted cash are cash that are placed as collateral with local banks for the short term loans taken up by the subsidiaries in 2016. During the year, the loans were repaid and the restricted cash was released by the banks.

Cash at bank earns interest at rates based on daily bank deposit rates ranging from 0.03% to 0.35% (2016: 0.03% to 0.15%) per annum.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. CASH AND CASH EQUIVALENTS (CONTINUED)

Fixed deposits are placed with financial institutions for varying periods of between seven days and 3 months depending on the immediate cash requirements of the Group. The fixed deposits earn interest at fixed deposit rates ranging from 0.12 % to 3.50% (2016: 0.12% to 3.50%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**129**	858	**34**	35

17. TRADE PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Third parties	**7,215**	6,132	**5**	–
	7,215	6,132	**5**	–
Add:				
Bill payables (Note 18)	**175**	2,575	**–**	–
Other payables and accruals (Note 19)	**6,914**	7,823	**639**	504
Term loans (Note 21)	**8,930**	5,702	**–**	500
Finance lease (Note 20)	**41**	61	**5**	15
Total financial liabilities at amortised cost	**23,275**	22,293	**649**	1,019

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. TRADE PAYABLES (CONTINUED)

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

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar	**250**	820	**–**	–
Chinese Renminbi	**–**	430	**–**	–

18. BILLS PAYABLE TO BANKS

	Interest rates (per annum)		Group		Company	
	2017	2016	2017	2016	2017	2016
	%	%	$'000	$'000	$'000	$'000
Interest bearing	**3.00 – 3.50**	3.00 – 3.50	**175**	2,575	**–**	–

The bills payable are unsecured and have repayment terms of less than 12 months.

19. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Other payables	**4,705**	6,070	**320**	228
Accrued operating expenses	**1,523**	1,007	**113**	36
Accrued payroll related expenses	**686**	746	**206**	240
	6,914	7,823	**639**	504

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

Notes to the Financial Statements

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20. FINANCE LEASE LIABILITIES

	Group			
	Minimum payments 2017 $'000	Present value of payments 2017 $'000	Minimum payments 2016 $'000	Present value of payments 2016 $'000
Not later than one year	**17**	**15**	25	22
Later than one year but not later than five years	**29**	**26**	45	39
Total minimum lease payments	**46**	**41**	70	61
Less: amounts representing finance charges	**(5)**	**–**	(9)	–
Present value of minimum lease payments	**41**	**41**	61	61

	Company			
	Minimum payments 2017 $'000	Present value of payments 2017 $'000	Minimum payments 2016 $'000	Present value of payments 2016 $'000
Not later than one year	**5**	**5**	12	11
Later than one year but not later than five years	**–**	**–**	4	4
Total minimum lease payments	**5**	**5**	16	15
Less: amounts representing finance charges	**–**	**–**	(1)	–
Present value of minimum lease payments	**5**	**5**	15	15

The Group and the Company has finance leases for certain items of plant and equipment and motor vehicles (Note 8) ranging from 1 to 4 years (2016: 1 to 5 years). Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Lease obligations bear interest at rates ranging from 3.20% to 3.25% (2016: 3.20% to 3.25%) per annum.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. TERM LOANS

	Weighted average effective interest rate (per annum)	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
SGD loan	2.98 %	**433**	500	**–**	500
Chinese Renminbi ("RMB") loan	5.655 %	**8,497**	5,202	**–**	–
		8,930	5,702	**–**	500

SGD loan: This bank loan is unsecured and is repayable within 36 months from date of draw down. Interest is charged at 2.98% (2016: 2.68%) per annum over SIBOR.

RMB loan: This bank loan is drawn down by a subsidiary. It is repayable within 1 to 12 months from date of draw down but can be rolled over at the bank's discretion. Interest is charged at 5.655% (2016: 5.22%) per annum.

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

			Non-cash changes		
	2016 $'000	Cash flows $'000	Foreign exchange movement $'000	Others $'000	2017 $'000
Loans and bonds:					
– current	5,702	3,316	(88)	–	**8,930**
Obligations under finance leases (note 20):					
– current	22	(20)	–	13	**15**
– non-current	39	–	–	(13)	**26**
Total	5,763	3,296	(88)	–	**8,971**

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares '000	$'000	Number of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning of year	**267,392**	**23,406**	267,392	23,406
At end of year	**267,392**	**23,406**	267,392	23,406

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

23. CAPITAL RESERVE

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

24. ENTERPRISE EXPANSION AND GENERAL RESERVE

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

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

In prior financial years, the board of directors of a subsidiary has decided to suspend the appropriation to the fund after reviewing the accumulated amount of the fund as at 31 December 2006 which has already exceeded 50% of the subsidiary's paid up share capital.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. TRANSLATION RESERVE

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

26. LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to owners of the parent of $9,628,000 (2016: loss of $1,466,000) by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2016: 267,392,320) shares.

Based on fully diluted basis, the loss per share is 3.60 cents (2016: loss per share is 0.55 cents).

27. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits	**1397**	1,224
Defined contribution plans	**58**	58
Other short-term benefits	**66**	62
	1,521	1,344
Comprise amounts paid to:		
• Directors of the Company	**907**	887
• Other key management personnel	**614**	457
	1,521	1,344

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28. COMMITMENTS

Operating lease commitments

The Group has various operating lease agreements for office and residential premises. These leases have an average term of between 3 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments recognised in the consolidated income statement during the year amount to $721,000 (2016: $546,000).

Future minimum lease payments under non-cancellable leases are as follows as of 31 December:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**539**	451
Later than one year but not later than five years	**1,650**	20
	2,189	471

29. SEGMENT INFORMATION

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

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

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

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. SEGMENT INFORMATION (CONTINUED)

	PRC		Other Asia Pacific Countries		Elimination		Note	Group	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**		**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**		**$'000**	**$'000**
Revenue									
External customers	**43,202**	64,957	**7,382**	12,730	**–**	–		**50,584**	77,687
Inter-segment	**21,837**	36,687	**326**	515	**(22,163)**	(37,202)	A	**–**	–
Total revenue	**65,039**	101,644	**7,708**	13,245				**50,584**	77,687
Results									
Interest income	**409**	406	**28**	30	**–**	–		**437**	436
Depreciation and amortisation	**1,767**	2,016	**118**	93	**–**	–		**1,885**	2,109
Interest expense	**762**	781	**17**	21	**–**	–		**779**	802
Other non-cash expenses/(income)	**–**	–	**–**	–	**–**	–	B	**–**	–
Segment (loss)/profit	**(12,034)**	507	**(1,307)**	(1,628)	**(1,075)**	92	C	**(14,416)**	(1,029)
Assets									
Additions to non-current assets	**1,013**	1,950	**136**	68	**–**	–	D	**1,149**	2,018
Segment assets	**63,415**	86,565	**25,364**	25,764	**(26,293)**	(35,947)	E	**62,486**	76,382
Segment liabilities	**29,981**	40,194	**5,256**	5,287	**(11,411)**	(22,788)	F	**23,826**	22,693

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. SEGMENT INFORMATION (CONTINUED)

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

A Inter-segment revenues are eliminated on consolidation.

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

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

	2017 $'000	2016 $'000
Profit from inter-segment sales	**7**	21
General and administrative expenses	**(252)**	146
Other operating income	**(830)**	(75)
	(1,075)	92

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

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

	2017 $'000	2016 $'000
Inter-segment assets	**(14,373)**	(12,659)
Interco balance	**(11,920)**	(23,288)
	(26,293)	(35,947)

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

	2017 $'000	2016 $'000
Interco balance	**(11,411)**	(22,788)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, hire purchase contracts, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The carrying amount of cash and cash equivalents, trade and other receivables (including subsidiaries balances) represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to provide credit terms to creditworthy customers and debts are continually monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. During the financial year, the Group has adopted stricter credit policy for new customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies. The Group does not expect to incur material credit losses except as provided for in the financial statements.

Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets with positive fair value; and

Information regarding credit enhancements for trade and other receivables is disclosed in Notes 14.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2017		**2016**	
	$'000	**% of total**	**$'000**	**% of total**
By geographical:				
PRC	**10,789**	**86**	15,685	80
Other Asia Pacific countries	**1,822**	**14**	3,984	20
	12,611	**100**	19,669	100

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 14.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the balance sheet.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

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

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

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

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

Analysis of financial instruments by remaining contractual maturities

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

Group **2017**	**One year or less** **$'000**	**One to five years** **$'000**	**Total** **$'000**
Financial assets:			
Trade and other receivables	**18,350**	**1,216**	**19,566**
Cash and short-term deposits	**11,618**	**–**	**11,618**
Total undiscounted financial assets	**29,968**	**1,216**	**31,184**
Financial liabilities:			
Trade and other payables	**14,304**	**–**	**14,304**
Other liabilities	**15**	**26**	**41**
Loans and borrowings	**8,930**	**–**	**8,930**
Total undiscounted financial liabilities	**23,249**	**26**	**23,275**
Total net undiscounted financial assets	**6,719**	**1,190**	**7,909**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Group 2016	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables	30,039	1,917	31,956
Cash and short-term deposits	8,034	–	8,034
Total undiscounted financial assets	38,073	1,917	39,990
Financial liabilities:			
Trade and other payables	16,530	–	16,530
Other liabilities	22	39	61
Loans and borrowings	5,702	–	5,702
Total undiscounted financial liabilities	22,254	39	22,293
Total net undiscounted financial assets	15,819	1,878	17,697

Company 2017	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables	**3,615**	**1,188**	**4,803**
Cash and short-term deposits	**1,137**	**–**	**1,137**
Total undiscounted financial assets	**4,752**	**1,188**	**5,940**
Financial liabilities:			
Trade and other payables	**639**	**–**	**639**
Other liabilities	**5**	**–**	**5**
Loans and borrowings	**–**	**–**	**–**
Total undiscounted financial liabilities	**644**	**–**	**644**
Total net undiscounted financial liabilities	**4,108**	**1,188**	**5,296**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Company **2016**	**One year or less** **$'000**	**One to five years** **$'000**	**Total** **$'000**
Financial assets:			
Trade and other receivables	3,271	1,889	5,160
Cash and short-term deposits	3,238	–	3,238
Total undiscounted financial assets	6,509	1,889	8,398
Financial liabilities:			
Trade and other payables	504	–	504
Other liabilities	11	–	11
Loans and borrowings	500	–	500
Total undiscounted financial liabilities	1,015	–	1,015
Total net undiscounted financial assets	5,494	1,889	7,383

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Information relating to the Group's interest rate exposure is disclosed in the notes on term loans and leasing obligations.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $45,000 lower/higher in 2017 (the Group's loss before tax would have been $29,000 lower/higher in 2016), arising mainly as a result of lower/higher interest expense on floating rates loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the market environment where Singapore interest rate is influenced by the funds liquidity in Singapore and also the interest rate trend in the U.S. and the PRC.

Surplus funds are placed with reputable banks.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

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

Sensitivity analysis for foreign currency risk

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

		Group	
		2017	**2016**
		$'000	**$'000**
		Loss before tax	**Loss before tax**
USD/SGD	– strengthened 3% (2016: 3%)	**-66**	-155
	– weakened 3% (2016: 3%)	**+66**	+155

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group has not classified any financial instrument under Level 1, Level 2 and Level 3.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value include cash and short-term deposits, current trade and other receivables, current trade and other payables, bills payables and term loans.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

32. CAPITAL MANAGEMENT

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

As disclosed in Note 24, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2017 and 31 December 2016.

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2017	**2016**
	$'000	**$'000**
Term loans (Note 21)	**8,930**	5,702
Trade payables (Note 17)	**7,215**	6,132
Bills payable to banks (Note 18)	**175**	2,575
Other payables and accruals (Note 19)	**6,914**	7,823
Finance lease liabilities (Note 20)	**41**	61
Less: Cash and cash equivalents (Note 16)	**(11,618)**	(8,034)
Net debt	**11,657**	14,259
Equity attributable to the owners of the parent	**28,071**	37,778
Less: General reserve (Note 24)	**(4,369)**	(4,369)
Less: Enterprise expansion reserve (Note 24)	**(4,369)**	(4,369)
Total capital	**19,333**	29,040
Capital and net debt	**30,990**	43,299
Gearing ratio	**37%**	32%

33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors dated 28 March 2018.

Sustainability Report

ABOUT THIS REPORT

This is our first sustainability report and we will continue the issuance on a yearly basis, in the broad form of an Economic and Operational, Environmental and Social Performance Statement within our Annual Report. This report will particularly focus on the economic and operation, environmental and social issues that affect our group of companies.

Our objective is to clearly communicate our sustainability strategies, management approaches and performances with our stakeholders, government regulators and communities and also to introduce our ongoing activities for our sustainable development towards the environment in which we operate.

In this report, we set out the approaches adopted by the Group and the measures we have taken thus far in managing the economic, environmental, social and governance aspects of our business operations based on Global Reporting Initiative (GRI) guidelines. At the same time, we have also established certain performance targets which we intend to track and will report them in our subsequent sustainability reports.

BOARD STATEMENT

Our sustainability vision is to manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while and creating sustainable value for our stakeholders and the communities.

We not only identify our short-term goals with activities to be achieved in year 2018, but also defined the actions and programmes to be implemented towards the achievement of our long term targets.

During mid of year 2017, we had achieved notable reductions in carbon emissions by transforming from coal fuel to using natural gas.

Our Board deems sustainability as an important direction for our long-term development. Accordingly, our sustainability strategies and efforts are focused on four key areas. These include sustainable operating practices, product responsibility and innovation, environmental protection and community investment.

With our determination and commitment towards sustainability, we will continue to implement comprehensive programmes and measures to achieve our long-term sustainability targets. We will strive to balance the impacts of economic growth, environmental protection and social responsibility in our strategic business plan, aiming to drive sustainable value for all our stakeholders and the communities.

REPORTING PERIOD AND SCOPE

This report articulates our strategies and practices in all aspects of sustainability, and provides a detailed account of our sustainability performance in all our operations and is applicable for the Group's financial year ended 31 December 2017.

Sustainability Report

MATERIALITY ASSESSMENT

Economic & operational factors

Retention of customers

Customer retention is crucial to business sustainability and to drive sales growth. It is a common fact that it costs more to acquire a new customer than retain an existing one. Not only is it cheaper to retain the existing customers than acquiring new ones, we also deem the return from the existing customers is often higher too. Loyal customers tend to spend more than new customers for they have been around long enough to trust us and our products and thus would make more and larger purchases.

Improvement of productivity efficiencies

Productivity improvement should be part of continuous and key process for sustaining a business. Rise in productivity would yield higher production returns and thus results in reductions in cost per unit and a lower selling price. This lowered price can lead to increase demand of the product which gives better profits to the company.

To achieve productivity efficiencies, it is necessary to eliminate wastage in raw material, wastage of time in the case of man and machine hours, wastage of space etc. Thus, it is important to adopt efficient productivity improvement techniques so as to ensure individuals and organization's growth in productivity.

Strategic partnership

Strategic business partnerships could create opportunity to enhance sales growth and improve business. Working with renowned partners, we could have access to new products, to reach new markets and to block competitors through gaining exclusive contract.

Besides looking into the sales aspect, we have also successfully working to centralise our procurement with reliable suppliers. By having such strategic partnership, not only we could see better bargaining power in term of the purchase cost, the amount of capital which we need to invest for storage and personnel, has also significantly saved.

Environmental factors

Reduce and reuse

The reduction of waste during production processes provides environmentally friendly ways to reduce negative impacts of growing amounts of waste on the natural environment. By reusing, which is to use items multiple times before discarding them, would help to reduce waste also. Through reduce and reuse, not only can we have less impact on the environment, it would also add to cost savings.

Sustainability Report

Waste water treatment

As a dye and chemical company, environmental protection is certainly a key and crucial issue to us. As a responsible corporation, it is important for us to properly treat the wastewater generated from our production processes before discharging them. The treated water returned to the water cycle should have very minimal impact on the environment.

Reduction in carbon emissions

Complying with the Chinese government order to move from using coal to natural gas, we had begun the transformation works end of year 2016. The transformation is carried out in two phases, with the first phase completed mid of year 2017. For the 2nd phase, we have also just completed the transformation and the generators are currently undergoing testing and thereafter authority approvals for use. We expect to procure the approval not later than the middle of this year.

By switching from coal to natural gas, a more environmental friendly fuel, we have achieved significant reduction in our carbon emissions.

Eco-friendly products

To keep our customers abreast of our latest technologies and comply with the required standards, we have developed a wide range of products which could entail the use of less resources like water and electricity. This not only ensures customers' business continuity, it results in less utility usage would also means achieving cost reductions and savings with a lower ecological carbon footprint.

Social factor

Compliance of industrial standards

Any standard failures could possibly result in fines, launch delays, negative public image, recalls, having unsatisfied customers and even at the worst scenario, ordered to suspend or cease operation. With this in mind, we are committed to meet the industry's best practices and would ensure that our business conforms to the requirements and standards.

We have partnered and attained Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers (ETAD) and Bluesign Standards in 2017 and 2018 respectively.

Compliance of law and regulation

The Chinese government has ordered manufacturers to move from the use of coal to the use of more environmentally friendly fuel sources, like natural gas. We have complied with the order by carrying out the needed transformations and are close to completion.

Sustainability Report

Employment and retention of employee

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

We believe fair engagement will improve productivity and work efficiency. As such, our recruitment and promotion criteria are based on merit and the performance of individual, without discrimination of race, gender, age or religion.

STAKEHOLDER ENGAGEMENT

Stakeholder management is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers, government and regulators and the wider communities in which we operate. We believe that the approach of stakeholder engagement is integral to the development of our sustainability strategy, and is also a prerequisite for our long-term sustainable growth.

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

Sustainability Report

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

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost cutting and process innovation

Besides providing high quality products and comply with international and local standards, we will incorporate sustainability concepts into our products. In order to achieve this, we will continue with our research and development activities by developing new products with enhanced qualities and improving the overall performance of our products.

Through cost-cutting and process innovations, we aim to develop better production methods. In addition to the focus on value creation by offering products that have minimum impact the environment, we are also engaging in efforts to reduce our environmental footprint during the production process.

To improve data management

Retention of existing customers is an important factor for sustaining a viable business. We have thus embarked on an e-Commerce group system where Customer Relationship Management (CRM) is an integral part. We commenced the project towards the end of last year and anticipate completion to be before the end of this year.

With the implementation of this system, we expect to have closer relationships with our customers, more effective interactions as well as shorter turnaround time in getting back to our customers' queries and needs.

Sustainability Report

This system also allows the compilation of customer data across the group in different countries. With direct access to information such as customers' contact information, purchase history, buying patterns, preferences and concerns, we will be in a better position to serve our customers.

Environmental protection

With the goal to reduce our ecological footprint in mind, we continue with dedicated efforts to develop eco-friendly products with features that could minimise environmental impacts. Our newly invented dye product system, Megapro ECO, is able to enhance dyeing processes without the use of salts. This will avoid the disposition of salt to water sources or landfill and as a result, reduce water and land pollution.

We will strive to seek ways to improve our environmental protection capabilities.

Community investment

As a responsible corporate citizen, we will continue to play our part to champion a growing diversity of programs and initiatives to give back to society as part of our ongoing Corporate Social Responsibility initiatives.

In 2017, we worked with various social enterprises, start-up communities and companies on various projects, ranging from developing suitable products to deliver to poverty and disaster struck areas and places, across to innovative solutions to treat and provide clean drinking water.

Over the years, we had participated in many internship programmes organised by various academic institutions. We recognised the importance of practical training, we thus hoped to provide a platform to train future value skilled employees for the industry which we are in. Besides fulfilling our social responsibility, we also create opportunities to evaluate and recruit potential employees.

GOVERNANCE

Corporate governance

A high standard of corporate governance is integral in ensuring sustainability of our business, as well as to safeguard stakeholders' interest and maximizing their long term values. With this in mind, we set to continuously improve our company's policies and procedures so as to ensure our corporate governance structure meets with the industry's best practices.

For the financial year ended 31 December 2017, our company has generally adhered to the framework as outlined in the Code of Corporate Governance 2012 issued on 2 May 2012.

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

We are committed to high standards of corporate governance.

Report on Corporate Governance

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

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board supervises the Management of the business and affairs of the Company and its subsidiaries (the "**Group**"). The Board is collectively responsible for the long-term success of the Company. The primary role of the Board is to set broad corporate and strategic direction, approve the appointment of directors and major funding and investment proposals, and review the financial performance of the Group. It also considers sustainability issues such as environmental and social factors as part of its strategic formulation in line with the guidelines of the Code.

The Board meets to consider the following:

1. Approval of nomination of Directors;
2. Approval of half year and full year results announcements;
3. Approval of annual audited results and accounts;
4. Declaration of interim dividends and proposal of final dividends;
5. Convening of shareholders' meetings;
6. Approval of corporate direction and strategy;
7. Review the framework for prudent and effective controls which enable risks to be properly assessed and managed;
8. Authorisation of merger and acquisition transactions;
9. Authorisation of major transactions; and
10. Ensure compliance with the Code, the Companies Act (Cap 50) of Singapore, the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), accounting standards and other relevant statutes and regulations.

Delegation of Authority on certain Board Matters

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

Meetings of the Board and Board Committees

The Board meets at least twice a year and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Constitution. The details of the number of board meetings held for the financial year ended 31 December 2017 ("**FY2017**") as well as the attendance of each board member at the meetings of the board committees are disclosed below.

Report on Corporate Governance

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

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

Note:
(1) Mr Wang Dao Fu was appointed as Independent Director, Chairman of Remuneration Committee and member of Audit and Nominating Committees on 11 January 2017.

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

Principle 2: Board Composition and Balance

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

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

Report on Corporate Governance

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

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

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

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

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

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

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

Report on Corporate Governance

Principle 4: Board Membership

Nominating Committee ("NC")

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Corporate Governance

Mr Foo Der Rong and Mr Tan Guan Liang will be subject for re-election at the forthcoming AGM to be held on 27 April 2018.

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

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

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

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

Key information regarding Directors

Key Information on the directors is set out below:

Name of director	Academic & professional qualifications	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at next AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Dr John Chen Seow Phun	Doctor of Philosophy degree in Electrical Engineering	Chairman: Audit Committee Member: Nominating Committee & Remuneration Committee	11 July 2003/ 27 April 2017	Non-executive/ Independent	N/A	Nil	• OKP Holdings Ltd • Hiap Seng Engineering Ltd • Hanwell Holdings Ltd • Tat Seng Packaging Group Ltd • HLH Group Ltd • Fu Yu Corporation Ltd • Pavillon Holdings Ltd • JLM Foundation Ltd
Dr Tan Pang Kee	Doctor of Philosophy in Business Administration	N/A	23 March 1990/ 20 May 2002	Executive	N/A	Nil	Nil

Report on Corporate Governance

Name of director	Academic & professional qualifications	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at next AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Mr Foo Der Rong	Bachelor of Commerce Degree	Chairman: Nominating Committee Member: Remuneration Committee & Audit Committee	10 May 2016 27 April 2017	Non-executive/ Independent	Retirement pursuant to Article 89	• Intraco Ltd • Tat Hong Intraco Pte Ltd • Tat Hong Intraco Heavy Equipment Co., Ltd • K.A. Building Construction Pte Ltd • K.A. Fabric Shutters Pte Ltd • K.A. FireLite Pte Ltd • K.A. Fireproofing Pte Ltd • K.A. Firespray Sdn Bhd • K.A. Group Holdings Pte Ltd	• Southern Lion Sdn Bhd • Pavillon Holdings ltd • Noel Gifts International Ltd • Tian International Pte Ltd
Mr Wang Dao Fu	Bachelor of Laws	Chairman: Remuneration Committee Member: Nominating Committee & Audit Committee	11 January 2017 27 April 2017	Non-executive/ Independent	N/A	• Jiangnan Agriculture Commercial Bank (China) • Xiao Ju Singapore Pte Ltd	• Dazhou Commercial Bank (China) • Proceq Trading (Shanghai) Co. Ltd (China) • TH Strats 2015 Pte Ltd • MOBO Information Technology Pte Ltd
Mr Tan Guan Liang	Master in Architecture	N/A	01 March 2010/ 29 April 2016	Executive	Retirement pursuant to Article 89	Nil	Nil

Report on Corporate Governance

Review of Directors Independence

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

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

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

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

Principle 5: Board Performance

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

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

The NC evaluated the performance of the Board as a whole taking into consideration the Board's discharge of its principal responsibilities, the earnings of the Group and the economic environment for FY2017. The NC considered the Board's performance to be satisfactory. The Board concurred with the NC's recommendation.

Principle 6: Access to information

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

Report on Corporate Governance

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

Principle 7: Policy for Developing Remuneration Policies

Annual Remuneration Reports

Remuneration Committee ("RC")

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

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

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

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

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

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

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

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

Report on Corporate Governance

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

The RC has access to expert advice in the field of executive compensation outside the Company where required.

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

Principle 8: Level and Mix of Remuneration

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

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

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

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

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

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

Report on Corporate Governance

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

Principle 9: Disclosure on Remuneration

Remuneration of Directors and Top 5 Key Management Personnel

Directors

A breakdown of the gross remuneration of the Directors of the Company for the year ended 31 December 2017 is set out below:

Name of director	Salary	Bonus/Profit sharing	Other benefits(*)	Fees	Total
	$	$	$	$	$
Dr Tan Pang Kee	438,450	19,250	9,487	–	467,187
Mr Tan Guan Liang	219,300	18,000	3,982	–	241,282
Dr John Chen Seow Phun	–	–	–	63,000	63,000
Mr Foo Der Rong	–	–	–	42,000	42,000
Mr Wang Dao Fu	–	–	–	40,869	40,869
	657,750	37,250	13,469	145,869	854,338

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

Report on Corporate Governance

Top 5 Key Management Personnel

The gross remuneration paid to top 5 key management personnel of the group (who are not directors or the CEO) for the year ended 31 December 2017 is $614,240 as set out below:

	Salary	Bonus	Other Benefits[2]	TOTAL
Remuneration Band[1] & Name of Key Management Personnel	96.20%	3.80%	–	100.00%
Below $250,000				
Serine Yeo Ngen Huay	95.50%	4.50%	–	100.00%
Lok Fong Meng	95.60%	4.40%	–	100.00%
Tan Pang Sim	95.70%	4.30%	–	100.00%
Chen Qin Lin	98.10%	1.90%	–	100.00%
Liushen	97.10%	2.90%	–	100.00%

Notes:
(1) Remuneration amounts are inclusive of salary, bonus, incentives, allowances and Central Provident Fund contributions.
(2) Other benefits refers to allowance.

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

Immediate Family Member of Directors and CEO

Besides Mr Tan Guan Liang, who is the son of Dr Tan Pang Kee, the Chief Executive Director/Managing Director ("**CEO/MD**") of the Company, whose remuneration is disclosed above, Mr Tan Pang Sim (brother of CEO/MD) and Madam Lim Kooi Yee (daughter-in-law of CEO/MD and wife of director, Mr Tan Guan Liang) were also earning in excess of $50,000 for the FY2017, where their remuneration was in the band of $50,000 to $100,000. As for Mr Tan Pang Jang (brother of CEO/MD), his remuneration is less than $50,000.

Report on Corporate Governance

Approved by Shareholders

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Risk Management and Internal Controls

Risk Management

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

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

Internal Controls

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

Report on Corporate Governance

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

For FY2017, the Board also confirms it has received assurance from the CEO and CFO:

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

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

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

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

Principle 12: Audit Committee ("AC")

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

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

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

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

<u>Internal Controls</u>

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

(ii) Review of internal audit report;

Report on Corporate Governance

External Audit

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

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

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

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

(f) Nominate external auditors for re-appointment;

The Company confirms its compliance with Catalist Listing Rules 712, 715 and 716 in relation to its auditing firms in respect of FY2017.

Financial Statements

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

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

- Recoverability of trade account receivables;
- Allowance for inventory obsolescence; and
- Impairment assessment of PPE and land use right

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

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

Report on Corporate Governance

Compliance with the Laws and Regulations

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

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

Others

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

The AC is authorised by the Board to:

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

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

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

(d) review internal audit report;

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

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

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

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

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

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

Report on Corporate Governance

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

INDEPENDENCE OF AUDITORS

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

The audit and non-audit services that were rendered by the auditors, Ernst & Young LLP, to the Group and their related fees for FY2017 are as follows:

	S$'000	%
Audit fees	68	88.30
Non-audit fees	9	11.70
Total	**77**	**100.00**

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

CODE OF CONDUCT

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

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

For FY 2017, there were no reported incidents pertaining to whistle blowing.

Principle 13: Internal Audit

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

Report on Corporate Governance

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective. The AC has reviewed the annual internal audit plan for FY2017.

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

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

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

Report on Corporate Governance

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. There is no dividend payment to Shareholders for FY2017 in view of funding needs for future business developments and expansion.

Principle 16: Conduct of Shareholder Meetings

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

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

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

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

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

MATERIAL CONTRACTS

The Group does not have material contracts involving the interest of the CEO, each director or controlling shareholder either still subsisting at the end of the FY2017 or it not then subsisting, entered into since the end of the previous financial year.

Report on Corporate Governance

DEALING IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS

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

NON-SPONSOR FEES

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

Statistics of Shareholdings

AS AT 16 MARCH 2018

SHARE CAPITAL

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

TREASURY SHARES

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 – 99	36	3.78	287	0.00
100 – 1,000	101	10.60	97,510	0.03
1,001 – 10,000	287	30.11	1,729,000	0.65
10,001 – 1,000,000	498	52.26	70,398,862	26.33
1,000,001 AND ABOVE	31	3.25	195,166,661	72.99
TOTAL	**953**	**100.00**	**267,392,320**	**100.00**

SUBSTANTIAL SHAREHOLDINGS AS AT 16 MARCH 2018

NAME OF SUBSTANTIAL SHAREHOLDER	NUMBER OF SHARES REGISTERED IN THE NAME OF THE SUBSTANTIAL SHAREHOLDER	NUMBER OF SHARES IN WHICH SUBSTANTIAL SHAREHOLDER IS DEEMED TO HAVE AN INTEREST	TOTAL	PERCENTAGE (%)
Dr Tan Pang Kee	58,343,000	–	58,343,000	21.82%
Tan Geok Bee	40,000,000	–	40,000,000	14.96%

Statistics of Shareholdings

AS AT 16 MARCH 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	TAN PANG KEE	58,343,000	21.82
2	TAN GEOK BEE	40,000,000	14.96
3	UOB KAY HIAN PRIVATE LIMITED	9,540,000	3.57
4	CHUA GEOK KOON	9,170,000	3.43
5	TAN EE SOON	8,337,582	3.12
6	PHILLIP SECURITIES PTE LTD	7,266,000	2.72
7	PAUL GO KIAN LEE	6,893,000	2.58
8	HL BANK NOMINEES (SINGAPORE) PTE LTD	4,099,000	1.53
9	MAYBANK KIM ENG SECURITIES PTE LTD	3,739,000	1.40
10	TAN HOCK SOON	3,386,332	1.27
11	TAN SOON HENG	3,386,332	1.27
12	TAN SOON LAI	3,386,332	1.27
13	TAN YAM SOON	3,386,332	1.27
14	TAN CHAI CHIN	3,370,688	1.26
15	LOW KOK SOON	3,259,000	1.22
16	LEE KANG HUAT	3,000,000	1.12
17	OCBC SECURITIES PRIVATE LIMITED	2,319,163	0.87
18	CHUA WEE SIM	2,060,000	0.77
19	ONG GIM LOO	2,051,000	0.77
20	SIM TECK HUAT	2,040,000	0.76
	TOTAL	**179,032,761**	**66.98**

PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the company as at 16 March 2018, approximately 62.96% of the issue ordinary share of the Company is held by the public and therefore, Rule CR 723 of Catalist Listing Manual issued by Singapore Exchange Securities Trading Limited has accordingly been complied with.

Notice of Twenty-Eighth Annual General Meeting

Notice is hereby given that the Twenty-Eighth Annual General Meeting ("**AGM**") of the Company will be held at 47 Ayer Rajah Crescent, #05-10 Singapore 139947 on Friday, 27 April 2018 at 10.00 a.m. to transact the following business: -

Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Foo Der Rong who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 2]**

Note: Mr Foo Der Rong, if re-elected, will remain as Chairman of Nominating Committee and member of the Audit committee and Remuneration committee and will be considered as an independent director.

3 To re-elect Mr Tan Guan Liang who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 3]**

4 To approve a sum of up to S$147,000 as directors' fees for the year ending 31 December 2018, to be paid quarterly in arrears. (2017: S$147,000) **[Resolution 4]**

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

Notice of Twenty-Eighth Annual General Meeting

Special Business

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

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

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

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

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

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

provided that:

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

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

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

Notice of Twenty-Eighth Annual General Meeting

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual – Section B: Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

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

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

By Order of the Board

Dr Tan Pang Kee
Chief Executive Officer/Managing Director

Singapore
11 April 2018

Notice of Twenty-Eighth Annual General Meeting

Explanatory Note:

Resolution 6, if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per cent (50%) may be issued other than on a pro-rata basis to shareholders.

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

Proxies:

1 (a) A member who is not a relevant intermediary is not entitled to appoint more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the nomination shall be deemed to be alternative.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the 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 number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap 50.

2 A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 47 Ayer Rajah Crescent, #05-10 Singapore 139947, not less than 48 hours before the time appointed for the holding of the AGM.

Notice of Twenty-Eighth Annual General Meeting

Personal Data Privacy:

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

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

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

The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist, Investment Banking and Mr Lee Chee Cheong, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

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MATEX INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198904222M

PROXY FORM
– ANNUAL GENERAL MEETING

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 11 April 2018.

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

Of ____

being a member/members of MATEX INTERNATIONAL LIMITED hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend, speak and to vote for me/us on my/our behalf at the Annual General Meeting of MATEX INTERNATIONAL LIMITED to be held at 47 Ayer Rajah Crescent, #05-10 Singapore 139947 on Friday, 27 April 2018 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Ordinary Resolutions	*No. of Votes For	*No. of Votes Against
	Ordinary Business:		
1.	Adoption of Audited and Financial Statements		
2.	Re-election of Mr Foo Der Rong		
3.	Re-election of Mr Tan Guan Liang		
4.	Approval of Director' fees for FY2018 to be paid quarterly in arrears		
5.	Re-appointment of Auditors		
	Special Business:		
6.	Authority for Directors to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Cap. 50		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please indicate with an "X" within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this __________ day of ________________ 2018.

____

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

Total Number of Shares Held:

IMPORTANT:– PLEASE READ NOTES OVERLEAF

MATEX INTERNATIONAL LIMITED
PROXY FORM

Continuation Sheet 1

Notes:–

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the 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 the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is not entitled to appoint more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the nomination shall be deemed to be alternative.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the 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 number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3 A proxy need not be a member of the Company.

4 The instrument appointing a proxy must be deposited at the registered office of the Company at 47 Ayer Rajah Crescent, #05-10 Singapore 139947, not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

5 The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is given by a corporation, it must be executed either under its common seal or signed on its behalf by an attorney duly authorized in writing or a duly authorised officer of the corporation.

6 Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7 A corporation which is a member may by a resolution of its directors or other governing body authorise 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, Cap. 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for the holding of 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(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2018.

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OUR GLOBAL **PRESENCE**

Matex®

Your One-Stop Solution

Strategic Partner

Matex International Limited
万得国际有限公司

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