Cool Link (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8491

2018

ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Cool Link (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Tan Seow Gee *(Chairman)*
Mr. Gay Teo Siong *(Chief Executive Officer)*

Non-executive Director
Mr. Cheng King Yip (appointed on 12 February 2019)

Independent non-executive Directors
Mr. Tam Wai Tak Victor
Ms. Chan Oi Chong
Mr. Choy Wing Hang William
(resigned on 4 February 2019)
Ms. Luk Huen Ling Claire
(appointed on 4 February 2019)

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor *(Chairman)*
Ms. Chan Oi Chong
Mr. Choy Wing Hang William
(resigned on 4 February 2019)
Ms. Luk Huen Ling Claire
(appointed on 4 February 2019)
Mr. Cheng King Yip
(appointed on 12 February 2019)

REMUNERATION COMMITTEE

Ms. Chan Oi Chong *(Chairlady)*
Mr. Choy Wing Hang William
(resigned on 4 February 2019)
Ms. Luk Huen Ling Claire
(appointed on 4 February 2019)
Mr. Tam Wai Tak Victor
Mr. Gay Teo Siong
Mr. Cheng King Yip
(appointed on 12 February 2019)

NOMINATION COMMITTEE

Ms. Luk Huen Ling Claire *(Chairlady)*
(appointed on 4 February 2019)
Mr. Choy Wing Hang William
(resigned on 4 February 2019)
Mr. Tam Wai Tak Victor
Ms. Chan Oi Chong
Mr. Gay Teo Siong
Mr. Cheng King Yip
(appointed on 12 February 2019)

COMPLIANCE OFFICER

Mr. Tan Seow Gee

COMPANY SECRETARY

Mr. Lui Wai Sing, HKICPA

AUTHORISED REPRESENTATIVES

Mr. Tan Seow Gee
Mr. Lui Wai Sing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Vinco Capital Limited
(up to 24 February 2019)
Units 4909-4910, 49/F
The Center
99 Queen's Road Central
Hong Kong

LY Capital Limited
(appointed on 24 February 2019)
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 5705, 57th Floor
The Center
99 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

No. 21 Wan Lee Road
Singapore 627949

COMPANY'S WEBSITE

http://www.coollink.com.sg

STOCK CODE

8491

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of the Company, I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

Successful listing on GEM of the Stock Exchange by way of public offer and placing (the "Listing") enables the Company to set foot on international capital platform and turn a new page in business development. With the capital raised by the support of the shareholders, the Listing provides a great platform for the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the supply of food products industry.

For the year ended 31 December 2018, the Group recorded total revenue of approximately S$25.4 million, attaining a comparable result with the previous financial year. The Group recorded a loss of approximately S$0.4 million for the year ended 31 December 2018 as compared to a net loss of approximately S$1.1 million for the year ended 31 December 2017. Excluding the effect of non-recurring listing expenses of approximately S$2.5 million, the Group would have recorded a profit of approximately S$1.4 million for the year ended 31 December 2017. The loss for year ended 31 December 2018 was mainly attributable to (i) the decrease in gross profit by approximately S$1.7 million driven by the decrease in sales as a result of the intense competition in the market; and (ii) an increase in the Group's administrative and other operating expenses (excluding listing expenses) of approximately S$0.6 million for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Going forward, the Group will continuously focus its efforts to expand its business by broadening the customer base and cultivate new clients for long term growth. The Group will also put in place sound corporate governance and effective cost controls to maximise the return to the shareholders.

On behalf of the Board, I would like to express my sincere gratitude to the relentless support of all our valuable shareholders, investors, suppliers, business partners and customers. The management team and all staff members of the Group will continue striving for better results for the Group and bringing returns to the shareholders.

Tan Seow Gee
Chairman and Executive Director

Hong Kong, 26 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a Singapore-based importer of food products with over 17 years of experience in the ship supply industry in Singapore. The Group's customers include ship chandlers in Singapore and to a lesser extent, trading companies in the Asia Pacific region, such as Cambodia, the Philippines and Indonesia ("Ship Supply Customers") and customers who are in the food service industry ("Retail and Food Service Customers").

For the year ended 31 December 2018, the Group recorded a net loss of approximately S$0.4 million as compared to approximately S$1.1 million for the same period in 2017. The Directors are of the view that the decrease of net loss during the year was mainly attributable to the non-recurring listing expenses of approximately S$2.5 million for the year ended 31 December 2017. Set aside the listing expenses, the Group's net profit for the year ended 31 December 2017 would be approximately S$1.4 million. Despite the decrease in revenue for the year ended 31 December 2018, in view of the latest negotiations with existing and potential new customers, there has been no fundamental deterioration in the commercial and operational viability in the Group's business.

During the year ended 31 December 2018, the Group acquired a new property in Singapore amounted to approximately S$10.3 million (the "Acquisition") and utilised part of the net proceeds from the public offer and the placing of shares of the Company (the "Shares") in relation to the Listing of Shares on GEM of the Stock Exchange (the "Share Offer") for partial settlement of the Acquisition. For more details of the Acquisition and the change in use of proceeds, please refer to the circular of the Company dated 26 March 2018.

OUTLOOK

Due to fierce market competition in the industry and the international trading market, the Group anticipates a forthcoming challenging year. However, the Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions.

Furthermore, with the expansion of the warehouse and manufacturing facilities of the Group through the Acquisition, the Group believes it assists in sourcing new business opportunities for launching new product lines and minimising the rental cost of third-party warehouses, which can improve the Group's financial performance and increasing its shareholders' value in long term.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately S$2.2 million or approximately 7.9% from approximately S$27.6 million for the year ended 31 December 2017 to approximately S$25.4 million for the year ended 31 December 2018. Such decrease was mainly driven by the decrease of revenue from Ship Supply Customers by approximately S$2.5 million due to the intense competition in the market.

Cost of Sales

The Group's cost of sales decreased by approximately S$0.5 million or approximately 2.4% from approximately S$20.2 million for year ended 31 December 2017 to approximately S$19.7 million for year ended 31 December 2018. Such decrease was primarily due to the decrease in the cost of inventories recognised as expenses for the year ended 31 December 2018 as compared to the same period in 2017 and was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately S$1.7 million or approximately 23.0% from approximately S$7.4 million for the year ended 31 December 2017 to approximately S$5.7 million for the year ended 31 December 2018. The Group's overall gross profit margin decreased from approximately 26.8% for the year ended 31 December 2017 to approximately 22.4% for the year ended 31 December 2018, which was mainly due to the change in customers' demand that resulted in lower sales of its chilled products with higher gross profit margins.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately S$0.3 million or approximately 13.2% from approximately S$2.6 million for the year ended 31 December 2017 to approximately S$2.3 million for the year ended 31 December 2018. The decrease was primarily due to decrease of rental costs for warehouses.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately S$1.9 million or approximately 32.6% from approximately S$5.8 million for the year ended 31 December 2017 to approximately S$3.9 million for the year ended 31 December 2018. The decrease was primarily due to the recognition of non-recurring listing expenses for the year ended 31 December 2017 amounted to approximately S$2.5 million.

Finance Costs

The Group's finance costs increased by approximately S$82,000 or approximately 42.3% from approximately S$194,000 for the year ended 31 December 2017 to approximately S$276,000 for the year ended 31 December 2018. The increase was mainly due to the increase of bank borrowings during the year as a result of the Acquisition.

Income Tax Expense

The Group's income tax expense decreased from approximately S$401,000 for the year ended 31 December 2017 to approximately S$250,000 for the year ended 31 December 2018, which was mainly due to the decrease in taxable profit from the Group's operation in Singapore.

Loss and Total Comprehensive Income for the Year

As a result of the foregoing, the Group recorded loss and total comprehensive income for the year which was decreased by approximately S$0.7 million or approximately 62.6% from approximately S$1.1 million for the year ended 31 December 2017 to approximately S$0.4 million for the year ended 31 December 2018. The Group would have recorded a profit of approximately S$1.4 million for the year ended 31 December 2017 should the expenses related to the Listing be excluded. The loss for year ended 31 December 2018 was mainly attributable to (i) the decrease in gross profit by approximately S$1.7 million driven by the decrease in sales as a result of the intense competition in the market; and (ii) an increase in the Group's administrative and other operating expenses (excluding listing expenses) of approximately S$0.6 million for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

CAPITAL STRUCTURE

The Group regularly reviews and manages its capital structure to ensure that the Group will be able to continue as a going concern while maximizing the return to its shareholders through optimisation of the debt and equity balance.

As at 31 December 2018, the capital structure of the Group consisted of bank borrowings and equity of the Group, comprising share capital, share premium, other reserve and retained profits.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2018, the Group's working capital was financed by internal resources and bank borrowings. The quick ratio of the Group was approximately 3.1 times (2017: 3.3 times). The decrease was mainly due to the decrease of current assets (excluding inventories) by approximately 20.8% which was offset by the decrease of current liabilities by approximately 14.6%.

GEARING RATIO

The total borrowings, comprising bank borrowings and finance lease obligations, of the Group as at 31 December 2018 were approximately S$11.1 million (2017: S$3.6 million). The Group's gearing ratio as at 31 December 2018 was approximately 63.4% (2017: 19.9%), which is calculated as the Group's total borrowings over the Group's total equity. The increase in gearing ratio was mainly due to the increase of bank borrowings of approximately S$8.0 million as a result of the Acquisition.

FOREIGN EXCHANGE RISK

The Group's business is principally denominated in Singapore dollars. As certain bank deposits denominated in Hong Kong dollars and trade payables dominated in other currencies, such as Euro, Malaysia Ringgit and United State dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement had been made by the Group during the year ended 31 December 2018. The Directors have positive attitude to regular monitor the exposure to foreign exchange so as to reduce the foreign exchange rate risk to minimal.

CAPITAL EXPENDITURE

During the year ended 31 December 2018, the Group invested approximately S$12.6 million for capital expenditure which was primarily related to the Group's purchases of property, plant and equipment.

CAPITAL COMMITMENTS

Details of capital commitments of the Group are set out in note 29 to the consolidated financial statements of this annual report.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group has pledged its leasehold properties and investment properties with net book value amounted to approximately S$12.2 million (2017: S$2.5 million) and approximately S$1.7 million (2017: S$1.7 million), respectively, for certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 12 September 2017 (the "Prospectus") and note 29 to the consolidated financial statements of this annual report, the Group did not have other future plans for material investments or capital assets as at 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities in respect of performance bonds issued in favour of certain suppliers in its ordinary course of business amounting to S$550,000 (2017: S$400,000). The guarantees in respect of performance bonds issued by bank are secured by leasehold properties and investment properties of the Group and corporate guarantee of the Company as at 31 December 2018 and 2017.

Management Discussion and Analysis

INFORMATION ON EMPLOYEES

As at 31 December 2018, the Group employed 74 employees (2017: 86) with total staff cost (including directors' emoluments) of approximately S$3.3 million incurred for the year ended 31 December 2018 (2017: S$3.4 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

USE OF PROCEEDS

Up to 31 December 2018, the net proceeds from the Share Offer had been applied as follows:

	Original use of net proceeds	**Revised use of net proceeds**	**Utilised amount as at 31 December 2018**	**Unutilised amount as at 31 December 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
Partly fund the expansion of the capacity of the Group's warehouse premises	17,400	–	–	–
Expand Hong Kong operations	5,900	5,900	600	5,300
Expand new product lines	10,300	10,300	4,660	5,640
Acquisition of new property	–	17,400	17,400	–
Working capital	2,000	2,000	1,200	800
	35,600	35,600	23,860	11,740

The future plans and use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was applied in accordance with the actual development of the Group's business and the industry conditions.

Report of the Directors

The Directors of the Company presents herewith the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding while the Group is principally engaged in food supplies business.

The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group as at 31 December 2018 are set forth in the consolidated financial statements on pages 39 to 115 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past 4 years ended 31 December 2018, as extracted from the audited consolidated financial statements in the annual report and the Prospectus, is set out on page 116. This summary does not form part of the consolidated financial statements in the annual report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 42 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to owners comprising share premium less accumulated losses, amounted to approximately S$5.1 million (2017: S$5.9 million).

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements of this annual report.

INVESTMENT PROPERTIES

Location	Existing use	Lease term
8A Admiralty Street #03-26 Singapore 757437	Industrial	60 years commencing from 9 October 2000
27 Tuas Bay Walk #04-01 Westview Food Factory Singapore 637127	Industrial	30 years commencing from 22 July 2013

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Mr. Tan Seow Gee *(Chairman)*
Mr. Gay Teo Siong *(Chief Executive Officer)*

Non-Executive Director

Mr. Cheng King Yip (appointed on 12 February 2019)

Independent Non-Executive Directors

Mr. Tam Wai Tak Victor
Ms. Chan Oi Chong
Mr. Choy Wing Hang William (resigned on 4 February 2019)
Ms. Luk Huen Ling Claire (appointed on 4 February 2019)

In accordance with the Company's articles of association (the "Articles of Association"), at each annual general meeting (the "AGM") one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election.

Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, has entered into a service agreement with the Company for a term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service agreement.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three years and will continue thereafter until terminated in accordance with the terms of the appointment letter.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year and will continue thereafter until terminated in accordance with the terms of their letter of appointment.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 30 to 33 of this annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors are set out in note 10 to the consolidated financial statements of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 41.7% and sales to the Group's largest customer amounted to approximately 11.8% of the total sales for the year, respectively. Purchases from the Group's five largest suppliers accounted for approximately 36.9% and purchases from the Group's largest supplier amounted to approximately 13.2% of the total cost of purchases for the year.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DONATIONS

During the year ended 31 December 2018, the Group made charitable donations of approximately S$12,000 (2017: S$15,000).

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year are disclosed in note 30 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

During the year ended 31 December 2018, the Company did not enter into or have any management and administration contracts (other than a contract of service with any Director or any person under the full-time employment of the Company) in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Mr. Tan Seow Gee ("Mr. D Tan")	Interest in controlled corporation/ Interest held jointly with another persons *(Note 1)*	302,000,000 shares	50.33%
Mr. Gay Teo Siong ("Mr. R Gay")	Interest in controlled corporation/ Interest held jointly with another persons *(Note 1)*	302,000,000 shares	50.33%

Notes:

1. The entire issued share capital of Packman Global Holdings Limited ("Packman Global") is legally and beneficially owned as to approximately 33.3% by Mr. D Tan, Mr. R Gay and Mr. Tan Chih Keong ("Mr. M Tan") respectively. Accordingly, Mr. D Tan, Mr. R Gay and Mr. M Tan are deemed to be interested in 302,000,000 Shares held by Packman Global by virtue of the SFO. Mr. D Tan and Mr. R Gay are executive Directors while Mr. M Tan is one of the senior management. Mr. D Tan, Mr. R Gay and Mr. M Tan are persons acting in concert and accordingly each of them is deemed to be interested in the shares held by the others.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far is known to the Directors, as at 31 December 2018, the following persons/entities (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Packman Global	Beneficial owner	302,000,000 shares	50.33%
Mr. M Tan	Interest in controlled corporation/ Interest held jointly with another persons *(Note 1)*	302,000,000 shares	50.33%
Ms. Fang Yunru Wanda	Interest of spouse *(Note 2)*	302,000,000 shares	50.33%
Ms. Yeo Poh Choo	Interest of spouse *(Note 3)*	302,000,000 shares	50.33%
Ms. Chen Feiping	Interest of spouse *(Note 4)*	302,000,000 shares	50.33%
Mr. Zhang Yan	Beneficial owner	35,950,000 shares	5.99%

Notes:

1. The entire issued share capital of Packman Global is legally and beneficially owned as to approximately 33.3% by Mr. D Tan, Mr. R Gay and Mr. M Tan respectively. Accordingly, Mr. D Tan, Mr. R Gay and Mr. M Tan are deemed to be interested in 302,000,000 Shares held by Packman Global by virtue of the SFO. Mr. D Tan and Mr. R Gay are executive Directors while Mr. M Tan is one of the senior management. Mr. D Tan, Mr. R Gay and Mr. M Tan are persons acting in concert and accordingly each of them is deemed to be interested in the shares held by the others.

2. Ms. Fang Yunru Wanda is the spouse of Mr. D Tan and is therefore deemed to be interested in all the shares that Mr. D Tan is interested in by virtue of SFO.

3. Ms. Yeo Poh Choo is the spouse of Mr. R Gay and is therefore deemed to be interested in all the shares that Mr. R Gay is interested in by virtue of SFO.

4. Ms. Chen Feiping is the spouse of Mr. M Tan and is therefore deemed to be interested in all the shares that Mr. M Tan is interested in by virtue of SFO.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme"), which was approved by written resolution passed by the shareholders on 30 August 2017. The principal terms and details of the Share Option Scheme are set in the section headed "Statutory and General Information" in Appendix V to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

For the year ended 31 December 2018, no share option was granted, exercised, expired or lapsed or cancelled and there is no outstanding share option under the Share Option Scheme.

COMPETITION AND CONFLICT OF INTERESTS

To the best of the Directors' knowledge, none of the Directors or substantial shareholders of the Company or any of their respective close associates had engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKINGS

Mr. D Tan, Mr. M Tan, Mr. R Gay and Packman Global (the "Controlling Shareholders") entered into a deed of non-competition dated 30 August 2017 ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders during the year ended 31 December 2018.

EMOLUMENT POLICY

The remuneration committee is responsible for reviewing and determining the remuneration and compensation packages of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Company has adopted a Share Option Scheme as an incentive to directors and eligible employees, details of the scheme is set out in the paragraph headed "Share Option Scheme" in this annual report.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2018, except for the compliance adviser's agreement entered into between the Company and Vinco Capital Limited ("Vinco"), the Company's compliance adviser, on 11 September 2017, neither the Company's compliance adviser nor its directors, employees or close associates had any interest in relation to the Company which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

As disclosed in the Company's announcement dated 22 February 2019, the compliance adviser agreement with Vinco was terminated with effect from 24 February 2019. LY Capital Limited was appointed as the new compliance adviser with effect from 24 February 2019.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 29.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing a long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in the headquarters such as turning off idle lightings, air-conditioning and electrical appliances and using recycled papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance. In accordance with Appendix 20 to the GEM Listing Rules, the Company's Environmental, Social and Governance Report will be available on its website within three months from the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2018, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 December 2018, there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

Business Risk

The Group may be unable to retain or replace the Group's major customers. While the Group has good working relationships with the customers, there is no assurance that they will continue to place orders with the Group at all or at current levels in the future. In the event that the Group's major customers significantly reduce their orders with the Group, the business and results of operations of the Group will be adversely affected. As such, the Group is also exposed to inventory risk and stock obsolescence if the Group is unable to predict with certainty the customers' demands.

Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group's ability to execute its strategies.

Financial Risk

The Group is exposed to financial risks related to foreign currency, interest rate, credit and liquidity in the normal course of business. For details of such financial risks, please refer to note 36 to the consolidated financial statements.

People Risk

Loss of key management personnel may affect the Group's business, prospects and financial performance.

Report of the Directors

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Tuesday, 14 May 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 8 May 2019 to Tuesday, 14 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 7 May 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 31 December 2018 and thereafter up to the date of this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event of the Group after the reporting date.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by BDO Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
Mr. Tan Seow Gee
Chairman and Executive Director

Hong Kong, 26 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2018, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer are separate and not performed by the same individual in order to balance the distribution of power. Mr. Tan Seow Gee is currently the Chairman and Mr. Gay Teo Siong is the Chief Executive Officer, they are independent and not connected with each other except for being officers of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by Directors during the year ended 31 December 2018.

BOARD OF DIRECTORS

Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the developing and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

The Directors who held office during the year ended 31 December 2018 and as at the date of this report are as follows:

Board Composition
Executive Directors
Mr. Tan Seow Gee *(Chairman)*
Mr. Gay Teo Siong *(Chief Executive Officer)*

Non-Executive Director
Mr. Cheng King Yip (appointed on 12 February 2019)

Independent Non-Executive Directors
Mr. Tam Wai Tak Victor
Ms. Chan Oi Chong
Mr. Choy Wing Hang William (resigned on 4 February 2019)
Ms. Luk Huen Ling Claire (appointed on 4 February 2019)

The biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 30 to 33 of this annual report. The Directors have no other financial, business, family or other material/relevant relationship with each other.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2018. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

At each AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the CG Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Corporate Governance Report

Details of the attendance of the Board meetings, the Company's audit committee (the "Audit Committee") meetings, the Company's remuneration committee (the "Remuneration Committee") meetings, the Company's nomination committee (the "Nomination Committee") meetings and general meetings of the Company held during the year ended 31 December 2018 are summarised as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	AGM
Executive Directors					
Mr. Tan Seow Gee	7/7	N/A	N/A	N/A	1/1
Mr. Gay Teo Siong	7/7	N/A	1/1	1/1	1/1
Non-Executive Director					
Mr. Cheng King Yip (appointed on 12 February 2019)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Tam Wai Tak Victor	5/7	4/4	1/1	1/1	1/1
Ms. Chan Oi Chong	5/7	4/4	1/1	1/1	1/1
Mr. Choy Wing Hang William (resigned on 4 February 2019)	2/7	2/4	1/1	1/1	1/1
Ms. Luk Huen Ling Claire (appointed on 4 February 2019)	N/A	N/A	N/A	N/A	N/A

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company. All the Board committees should report to the Board on their decisions or recommendations made.

The Board is responsible for performing the functions set out in Code Provision D.3.1. of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the CG Code of the GEM Listing Rules and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference revised by the Board with effect from 1 January 2019 in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors and a non-executive Director: Mr. Tam Wai Tak Victor, Ms. Chan Oi Chong, Mr. Choy Wing Hang William (resigned on 4 February 2019), Ms. Luk Huen Ling Claire (appointed on 4 February 2019) and Mr. Cheng King Yip (appointed on 12 February 2019). Mr. Tam Wai Tak Victor was appointed to serve as the Chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of the Company.

During the year, the Audit Committed reviewed and discussed the relevant quarterly, interim and annual financial statements, results announcements and reports of the Group. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The Remuneration Committee comprises three independent non-executive Directors, an executive Director and a non-executive Director: Ms. Chan Oi Chong, Mr. Choy Wing Hang William (resigned on 4 February 2019), Ms. Luk Huen Ling Claire (appointed on 4 February 2019), Mr. Tam Wai Tak Victor, Mr. Gay Teo Siong and Mr. Cheng King Yip (appointed on 12 February 2019). Ms. Chan Oi Chong was appointed as the Chairlady of the Remuneration Committee. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

NOMINATION COMMITTEE

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference revised by the Board with effect from 1 January 2019 in compliance the CG Code. The Nomination Committee comprises three independent non-executive Directors, an executive Director and a non-executive Director: Mr. Choy Wing Hang William (resigned on 4 February 2019), Ms. Luk Huen Ling Claire (appointed on 4 February 2019), Mr. Tam Wai Tak Victor, Ms. Chan Oi Chong, Mr. Gay Teo Siong and Mr. Cheng King Yip (appointed on 12 February 2019). Mr. Choy Wing Hang William was appointed as the Chairman of the Nomination Committee and was resigned on 4 February 2019. Ms. Luk Huen Ling Claire was appointed as the Chairlady of the Nomination Committee on 4 February 2019. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the Group's Chairman and the chief executive.

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the Articles of Association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent as at the date of this annual report.

DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Group continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

During the year ended 31 December 2018, all Directors have confirmed that they have participated in continuing professional development such as attending seminars, conferences and reading materials, newspapers and journals.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising that Board on corporate governance matters.

The Company has appointed Mr. Lui Wai Sing ("Mr. Lui") as its company secretary. He has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 December 2018, Mr. Lui has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training. The biographic of Mr. Lui is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the Group has engaged its external auditor, BDO Limited. The remuneration paid/payable to the external auditor in respect of audit services and non-audit services amounted to HK$690,000 and HK$100,000 respectively for the year ended 31 December 2018.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and five highest paid individuals set out in note 10 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

The internal control system is reviewed on an ongoing basis by the Board and the Audit Committee through engaging independent consultant.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support, develops new system and oversees portfolio management. It ensures risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis.

Based on the framework for risk management and internal control system established by the Group, the Board and the Audit Committee admitted that through the review of risk management and internal control systems of the Group, it can evaluate and improve its effectiveness. The Board, with the concurrence of the Audit Committee, considered that such systems including financial, operational and compliance were effective and adequate for the year ended 31 December 2018 based on the work performed and report prepared by the independent consultant. The Company will perform the ongoing assessment to update the all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

Internal Audit

During the year ended 31 December 2018, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitoring our business operations for the year ended 31 December 2018.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and SFO.

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interests and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to article 64 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The Company's website provides an effective communication platform to the public and the shareholders.

COMMUNICATION WITH SHAREHOLDERS

The AGM provides a useful forum for the shareholders to exchange views with the Board. The chairman as well as chairlady/chairman of the Audit Committee, Remuneration Committee and Nomination Committee are pleased to answer the enquires raised by the shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. All the announcements and circulars are published on the Company's website and on the Stock Exchange's website.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018 and up to the date of this annual report, there was no significant change in constitutional documents of the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

DIVIDEND POLICY

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Company shall take into account, among other things, the Group's actual and expected financial results, the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company, the Company's liquidity position, current and future operations, statutory and regulatory restrictions and so on.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review and re-assess the Dividend Policy on a regular basis.

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Tan Seow Gee (陳少義) ("Mr. D Tan"), aged 45, is an executive Director and one of the Controlling Shareholders. He was appointed as the Chairman of the Board and compliance officer of the Company on 17 March 2017. He co-founded the Group together with Mr. R Gay in March 2001 and is currently the managing director of the Group. He is responsible for the overall strategic planing, management and operation of the Group. In particular, he is responsible for maintaining and improving profit margins of the Group's business and to source and launch new products and services. He is a managing director of Cool Link & Marketing Pte. Ltd ("Cool Link Marketing") since 27 March 2001. He is also a director of Cool Link Food Supply Pte. Ltd ("Cool Link Supply") since 21 December 2015 and Open Treasure Enterprises Limited ("Open Treasure Enterprises") since 27 December 2016.

Mr. D Tan has not less than 16 years of experience in the distribution industry, primarily focusing on local and overseas business trading including import of supplies and export of product.

Prior to establishing the Group, Mr. D Tan ran a number of partnership businesses, namely Cool Link & Marketing which was in the business of wholesale of ice cream and Jun Chuan Discus Farm which was in the business of operation of fish hatcheries and fish farms. He was also the sole proprietor of Sheng Huat Packing & Transport which was in the business of manufacture of wooden containers. All these business enterprises have been terminated prior to the establishment of the Group.

Mr. Gay Teo Siong (倪朝祥) ("Mr. R Gay"), aged 58, is an executive Director and one of the Controlling Shareholders. He is currently the Chief Executive Officer of the Company. He co-founded the Group together with Mr. D Tan in March 2001. He is primarily responsible for the overall management of the Group. He has been a director of Cool Link Marketing since 27 March 2001, Cool Link Supply since 21 December 2015 and Open Treasure Enterprises since 27 December 2016.

Mr. R Gay has over 17 years of experience in the distribution industry, based on his experience in the Group.

Prior to establishing the Group, Mr. R Gay ran a number of partnership businesses. He owned Cool Link & Marketing which was in the business of wholesale of ice cream, Jun Chuan Discus Farm which was in the business of operation of fish hatcheries and fish farms and Rui En which was in the business of providing business support services. Save for Rui En which was terminated in March 2005, all the other business enterprises have been terminated prior to establishing the Group.

Biographies of Directors and Senior Management

Non-Executive Director

Mr. Cheng King Yip (鄭璟燁) ("Mr. Cheng"), aged 30, was appointed as a non-executive Director on 12 February 2019. Mr. Cheng has approximately eight years of experience in accounting, internal audit and risk advisory. From December 2010 to July 2013, Mr. Cheng worked for KPMG and his last position was an assistant manager. From July 2013 to January 2015, Mr. Cheng worked for Techtronic Industries Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00669) and his last position was a senior auditor of internal audit. From January 2015 to May 2016, Mr. Cheng worked for Deloitte Touche Tohmatsu and his last position was a senior consultant in the risk advisory function. From June 2016 to July 2017, Mr. Cheng worked for Deloitte Advisory (Hong Kong) Limited and his last position was a supervisor in the risk advisory function. From August 2017 to April 2018, he was the financial controller of Success Dragon International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01182).

Mr. Cheng obtained a Bachelor of Business Administration (Honours) in Accountancy and Management Information Systems from the City University of Hong Kong in July 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since March 2014.

Independent non-executive Directors

Mr. Tam Wai Tak Victor (譚偉德) ("Mr. Tam"), aged 41, was appointed as an independent non-executive Director on 30 August 2017. Mr. Tam graduated from the University of Glamorgan (now known as University of South Wales) in June 2001 with a Bachelor of Arts degree in accounting and finance (first class honours). He is a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a fellow member of Association of Chartered Certified Accountants since February 2010. Mr. Tam has over 15 years of experience in audit and accounting fields in Hong Kong.

Mr. Tam's current and past directorships in other listed companies include serving as independent non-executive director of Shun Wo Group Holdings Limited (stock code: 1591) since September 2016, an independent non-executive director of GT Steel Construction Group Limited (stock code: 8402) since June 2017 and an independent non-executive director of Twintek Investment Holdings Limited (stock code: 6182) since December 2017.

Ms. Chan Oi Chong (陳愛莊) ("Ms. Chan"), aged 42, was appointed as an independent non-executive Director on 30 August 2017. Ms. Chan graduated from the Hong Kong University of Science of Technology in November 1998 with Bachelor of Business Administration degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants, a member to the Association of Chartered Certified Accountants in October 2001 and became a fellow of the association in October 2006.

Ms. Chan has been appointed as an independent non-executive director of Xinghe Holdings Berhad (stock code: 0095) since 28 December 2018, a company held in ACE Market of Bursa Malaysia.

Biographies of Directors and Senior Management

Ms. Luk Huen Ling Claire（陸萱凌）(formerly known as "Luk Yung Yung Claire") ("Ms. Luk"), aged 40, has over 11 years of experience in corporate communications and marketing. She worked as head of communications, Asia at Aedas Limited between March 2010 and December 2010. From November 2006 to May 2008 she worked as a wardrobe manager at the Ocean Park, one of the largest theme parks in Hong Kong where she was responsible for sections strategic planning, administration and management of all wardrobe staff. In addition, Ms. Luk also gained experiences in marketing, business development and investor relation activities in previous engagements. She joined Roma Group Limited (stock code: 8072) as a senior consultant in December 2008 and became marketing director of the group in February 2011. In November 2014, Ms. Luk founded ST8GE Group Limited, a company specialising in corporate training and team building. Ms. Luk was an independent non-executive director of China Bio Cassava Holdings Limited (currently known as "Cloud Investment Holdings Limited") (stock code: 8129) from February 2017 to April 2017.

Ms. Luk has been appointed as an independent non-executive director of Season Pacific Holdings Limited (stock code: 1709) since September 2015.

She obtained a bachelor's degree in fine arts from the Hong Kong Academy for Performing Arts in July 2003 and a master's degree of business in marketing from the University of Technology, Sydney, Australia in March 2010.

SENIOR MANAGEMENT

Mr. Tan Chih Keong（陳治楓）("Mr. M Tan"), aged 44, joined the Group in August 2001 and is the general manager of Cool Link Marketing and a director of Cool Link Marketing and Cool Link Supply since 2 September 2002 and 21 December 2015, respectively. He is primarily responsible for the overseeing the overall financial performance and marketing of the Group, as well as production matters. Mr. M Tan has over 17 years of experience in the distribution industry.

Mr. M Tan has successfully completed the Effective Motivational Leadership (Chinese) programme, the Effective Personal Productivity course and the Dynamic of Successful Management course conducted by Leadership Management Singapore Pte Ltd in March 2016, October 2006 and May 2006, respectively. Mr. M Tan has been awarded the National Technical Certificate Grade Two in Electronics Servicing (Video Technology) from the Institute of Technical Education Singapore in July 1994.

Ms. Yeo Poh Choo (楊寶珠) ("Ms. Yeo"), aged 57, is the account executive of the Group. She joined the Group on 1 July 2004 as an account executive and is also a director of Cool Link Marketing since 1 July 2008. She is the spouse of Mr. R Gay.

Ms. Yeo has over 15 years of experience in managing and overseeing the accounts receivables collection.

Prior to joining the Group, she worked at Asea Brown Boveri Pte Ltd where she received a service award for 15 years of service with Asea Brown Boveri Pte Ltd in November 1996. She owned Rui En which was in the business of business support services which has been terminated in March 2005.

Ms. Yeo has successfully completed the Effective Personal Productivity course in October 2006 conducted by SMI Strategic Management Consultancy Pte Ltd.

Ms. Fang Yunru Wanda (方韵茹) ("Ms. Fang"), aged 44, is the account manager of the Group. She joined the Group on 1 August 2001 as an account manager and is also a director of Cool Link Marketing since 1 July 2008. She is the spouse of Mr. D Tan.

Prior to joining the Group, Ms. Fang worked as a purchaser in Pacific Garment Manufacturing Pte Ltd from July 1998 to March 2004. Then, she was employed by Ocean Sky Limited as a purchaser until February 2007. In August 2007, she joined Quality Power Management Pte Ltd until shortly before joining the Group.

Ms. Fang has successfully completed the Industrial Technician Certificate in Mechanical Engineering from Institute of Technical Education Singapore in July 1994. She was awarded the Program Certificate in Purchasing Skills, the Certificate in Purchasing Management and the Diploma in Materials Management all organised by the Singapore Institute of Purchasing & Materials Management in August 1996, March 1999 and November 2000 respectively. Ms. Fang has also successfully completed the course of food and beverage safety and hygiene policies and procedures conducted by Eduquest International Institute Pte. Ltd. in September 2016.

Mr. Lui Wai Sing (呂偉勝) ("Mr. Lui"), aged 30, was appointed as the company secretary on 17 March 2017. Mr. Lui joined the Company on 5 January 2017. Mr. Lui has been the company secretary of Guan Chao Holdings Limited (stock code: 1872) since 12 January 2018.

Mr. Lui has over 7 years of working experience in auditing field. Mr. Lui was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2013. He received a Bachelor of Business Administration from Lingnan University in October 2009.

COMPANY SECRETARY

Mr. Lui Wai Sing (呂偉勝) is the company secretary of the Company. His biography is set out in the paragraph headed "Senior management" in this section above.

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF COOL LINK (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cool Link (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 115, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of trade receivables

Refer to notes 5(b)(iii) and 17 to the consolidated financial statements and the accounting policies in note 4(i)(A)(ii) to the consolidated financial statements.

As at 31 December 2018, the Group had gross trade receivables amounting to approximately S$5,007,000. Impairment provision amounting to approximately S$14,000 has been made over these balances.

This conclusion was based on the assessment from the management on the existence of impairment indicators, among others, considering the credit history including default or delay in payments, settlement records, subsequent settlements, ageing analysis of trade receivables and the estimation of the recoverable amount of the customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. These assessments and estimations involved significant management judgement.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Our response:

Our audit procedures in relation to management's impairment assessment on trade receivables included:

- Obtaining an understanding of how impairment is estimated by the management;
- Reviewing the ageing analysis of the trade receivables to understand the settlement patterns by the customers;
- Testing the ageing analysis of the trade receivables, on a sample basis, to the source documents;
- Assessing the reasonableness of management's recoverability assessment of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the customers;
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs, on a sample basis, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and
- Assessing whether there is evidence of management bias on impairment assessment of trade receivables by considering the consistency of judgement made by the management year on year through discussion with the management to understand their rationale.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Audit Committee 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 Audit Committee 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 consolidated 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.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 26 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Revenue	7(a)	**25,405**	27,593
Cost of sales		**(19,707)**	(20,190)
Gross profit		**5,698**	7,403
Other income and gains	7(b)	**598**	511
Selling and distribution costs		**(2,295)**	(2,643)
Administrative and other operating expenses		**(3,877)**	(5,752)
Finance costs	8	**(276)**	(194)
Loss before income tax	9	**(152)**	(675)
Income tax expense	11(a)	**(250)**	(401)
Loss and total comprehensive income for the year		**(402)**	(1,076)
Loss and total comprehensive income for the year attributable to:			
Owners of the Company		**(366)**	(1,066)
Non-controlling interests		**(36)**	(10)
		(402)	(1,076)
		S cents	S cents
Loss per share for loss attributable to owners of the Company during the year			
– Basic	13	**(0.06)**	(0.21)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 S$'000	2017 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	14,751	2,860
Investment properties	15	1,669	1,723
Deposit paid for purchase of property, plant and equipment		–	1,295
Deposits	18	26	25
		16,446	5,903
Current assets			
Inventories	16	2,495	3,429
Trade receivables	17	4,993	6,095
Deposits, prepayments, other receivables and other assets	18	389	650
Due from the holding company	19	411	411
Cash and cash equivalents	20	8,023	10,289
		16,311	20,874
Current liabilities			
Trade payables	21	2,360	2,939
Accruals, other payables and deposits received	22	1,350	1,764
Due to non-controlling interests	23	–	10
Bank borrowings	24	629	178
Finance lease obligations	25	15	–
Income tax payable		171	406
		4,525	5,297
Net current assets		11,786	15,577
Total assets less current liabilities		28,232	21,480

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Non-current liabilities			
Deposits received	22	50	50
Bank borrowings	24	10,443	3,410
Finance lease obligations	25	49	–
Deferred tax liabilities	11(b)	121	17
		10,663	3,477
Net assets		17,569	18,003
EQUITY			
Share capital	26	1,038	1,038
Reserves	27	16,569	16,976
Equity attributable to owners of the Company		17,607	18,014
Non-controlling interests		(38)	(11)
Total equity		17,569	18,003

On behalf of the directors

Tan Seow Gee
Director

Gay Teo Siong
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital S$'000 (note 26)	Share premium* S$'000 (note 27)	Other reserve* S$'000 (note 27)	Retained profits* S$'000	Sub-total S$'000	Non-controlling interests S$'000	Total S$'000
At 1 January 2017	–	–	100	6,800	6,900	(1)	6,899
Arising from group reorganisation	–	–	2,390	–	2,390	–	2,390
Issue of shares by placing and public offer, net of share issue expenses (note 26(e))	206	9,584	–	–	9,790	–	9,790
Share capitalisation (note 26(d))	832	(832)	–	–	–	–	–
Loss and total comprehensive income for the year	–	–	–	(1,066)	(1,066)	(10)	(1,076)
At 31 December 2017, as originally presented	1,038	8,752	2,490	5,734	18,014	(11)	18,003
Initial application of HKFRS 9 (note 2(a)(A)(i))	–	–	–	(41)	(41)	(1)	(42)
At 1 January 2018, as restated	1,038	8,752	2,490	5,693	17,973	(12)	17,961
Capital injection from non-controlling interests	–	–	–	–	–	10	10
Loss and total comprehensive income for the year	–	–	–	(366)	(366)	(36)	(402)
At 31 December 2018	1,038	8,752	2,490	5,327	17,607	(38)	17,569

* These reserve accounts comprise the consolidated reserves of approximately S$16,569,000 in the consolidated statement of financial position as at 31 December 2018 (2017: S$16,976,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Cash flows from operating activities			
Loss before income tax		**(152)**	(675)
Adjustments for:			
Interest expense	8	**276**	194
Depreciation of property, plant and equipment	9	**706**	379
Depreciation of investment properties	9	**54**	55
Expected credit loss on financial assets	9	**6**	–
Gain on disposal of property, plant and equipment	7(b)	**(3)**	–
Gain on disposal of financial assets at fair value through profit or loss	7(b)	**(22)**	–
Write-off of inventories	9	**716**	173
Operating profit before working capital changes		**1,581**	126
Decrease/(increase) in inventories		**214**	(585)
Decrease/(increase) in trade receivables		**1,054**	(131)
Decrease/(increase) in deposits, prepayments, other receivables and other assets		**264**	(51)
Decrease in trade payables		**(579)**	(239)
Decrease in accruals, other payables and deposits received		**(414)**	(75)
Cash generated from/(used in) operations		**2,120**	(955)
Income tax paid		**(381)**	(352)
Net cash generated from/(used in) operating activities		**1,739**	(1,307)
Cash flows from investing activities			
Purchases of property, plant and equipment	14, 34(a)(i), 34(a)(ii)	**(11,227)**	(72)
Proceeds from disposal of property, plant and equipment		**3**	–
Deposit paid for purchase of property, plant and equipment	34(a)(ii)	**–**	(1,295)
Increase in amount due from the holding company		**–**	(411)
Decrease in time deposit with original maturity over three months		**–**	153
Purchases of financial assets at fair value through profit or loss		**(307)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**329**	–
Net cash used in investing activities		**(11,202)**	(1,625)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Cash flows from financing activities			
Capital injection from non-controlling interests		10	–
Proceeds from issue of shares upon group reorganisation		–	1,644
Proceeds from issue of new shares by placing and public offer		–	11,356
Share issue expenses		–	(1,566)
Proceeds from bank borrowings		8,000	–
Repayments of bank borrowings		(516)	(181)
Capital element of finance lease obligations		(11)	(281)
Interest element on finance lease payments	8	(2)	(22)
Decrease in amounts due to directors		–	(1,028)
Decrease in amount due to non-controlling interests		(10)	–
Interests paid on bank borrowings	8	(274)	(172)
Net cash generated from financing activities		7,197	9,750
Net (decrease)/increase in cash and cash equivalents		(2,266)	6,818
Cash and cash equivalents at beginning of the year		10,289	3,471
Cash and cash equivalents at end of the year		8,023	10,289

1. GENERAL INFORMATION

Cool Link (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 January 2017. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21 Wan Lee Road, Singapore, 627949. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 September 2017.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

In the opinion of the directors, the Company's immediate and ultimate parent is Packman Global Holdings Limited ("Packman Global"), a company incorporated in the British Virgin Islands (the "BVI").

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of directors on 26 March 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to Hong Kong Accounting Standard ("HKAS") 40	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits and non-controlling interests as of 1 January 2018 as follows (increase/(decrease)):

	S$'000
Retained profits as at 31 December 2017	5,734
Increase in expected credit losses ("ECLs") in trade receivables (note 2(a)(A)(ii) below)	(41)
Restated retained profits as at 1 January 2018	5,693
Non-controlling interests as at 31 December 2017	(11)
Increase in ECLs in trade receivables (note 2(a)(A)(ii) below)	(1)
Restated non-controlling interests as at 1 January 2018	(12)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

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

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 S$'000	Carrying amount as at 1 January 2018 under HKFRS 9 S$'000
Trade receivables	Loans and receivables	Amortised cost	6,095	6,053
Deposits and other receivables	Loans and receivables	Amortised cost	548	548
Due from the holding company	Loans and receivables	Amortised cost	411	411
Cash and cash equivalents	Loans and receivables	Amortised cost	10,289	10,289

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognise ECL for trade receivables and other financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

Presentation of ECLs

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined for trade receivables as follows:

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 was approximately S$42,000. The loss allowance decreased by approximately S$28,000 for trade receivables during the year ended 31 December 2018 to approximately S$14,000 at the reporting date.

	Expected loss rate	Gross carrying amount	Loss allowance
	%	S$'000	S$'000
Neither past due nor impaired	0.1%	2,029	2
1 to 30 days past due	0.1%	2,372	2
31 to 90 days past due	0.5%	1,603	8
91 to 180 days past due	10%	40	4
Over 180 days past due	50%	51	26
		6,095	42

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

(b) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost of the Group includes deposits and other receivables, amount due from the holding company and cash and cash equivalents. No additional impairment for these financial assets as at 1 January 2018 and during the year ended 31 December 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	S$'000
Loss allowance as at 1 January 2018 under HKAS 39	–
Additional impairment recognised for trade receivables	42
Loss allowance as a 1 January 2018 under HKFRS 9	42

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(iii) Transition (Continued)

The assessment of the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9.

(B) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (i.e., 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition to HKFRS 15 had no impact on the opening balances of retained profits.

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of comprehensive income for the year ended 31 December 2018. There was no material impact on the Group's consolidated statement of cash flows for the year ended 31 December 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(B) HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

Impact on the consolidated statement of financial position as at 31 December 2018 (increase/(decrease)):

	S$'000
ASSETS	
Current assets	
Inventories	(5)
Deposits, prepayments, other receivables and other assets	5
Total current assets	–
Total assets	–
LIABILITIES	
Current liabilities	
Accruals, other payables and deposits received	
– Refund liabilities	133
– Accruals	(133)
Total current liabilities	–
Total liabilities	–

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2018 (increase/(decrease)):

	S$'000
Revenue	(177)
Selling and distribution costs	(177)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(B) HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sales of goods are set out below:

Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. Invoices are usually payable within 60 days. Right of return Some of the Group's contracts with customers from the sales of goods provides customers a right of return (a right to be refunded in cash).	Right of return Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right of return asset are recognised. Impact As at 1 January 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities included in "accruals, other payables and deposits received" of approximately S$5,000, an increase in right of return assets included in "deposits, prepayments, other receivables and other assets" of approximately S$4,000, a decrease in accruals included in "accruals, other payables and deposits received" of approximately S$5,000 and a decrease in inventories of approximately S$4,000. As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities included in "accruals, other payables and deposits received" of approximately S$6,000, an increase in right of return assets included in "deposits, prepayments, other receivables and other assets" of approximately S$5,000, a decrease in accruals included in "accruals, other payables and deposits received" of approximately S$6,000 and a decrease in inventories of approximately S$5,000.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(B) HKFRS 15 – Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sales of goods are set out below (Continued):

Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Volume rebate	Volume rebate
Some of the Group's contracts with customers from the sales of goods provides customers a volume rebate if the customers purchase more than certain volume of goods in a calendar year.	Under HKAS 18, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision for rebate was recognised in "accruals, other payables and deposits received". Under HKFRS 15, volume rebates give rise to variable consideration. The Group applies the most likely amount method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebates. Impact As at 1 January 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities included in "accruals, other payables and deposits received" of approximately S$202,000 and a decrease in accruals included in "accruals, other payables and deposits received" of approximately S$202,000. As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities included in "accruals, other payables and deposits received" of approximately S$127,000 and a decrease in accruals included in "accruals, other payables and deposits received" of approximately S$127,000.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

(B) HKFRS 15 – Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sales of goods are set out below (Continued):

Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Payment to customers	Payment to customers
The Group makes payments to customers for slotting fee and promotion activities.	Under HKAS 18, the Group recognised the payment to customers for slotting fee and promotion activities as selling and distribution costs. Under HKFRS 15, consideration payable to a customer is recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. Impact The adoption of HKFRS 15 resulted in a decrease in revenue of approximately S$177,000 and a decrease in selling and distribution costs of approximately S$177,000 for the year ended 31 December 2018.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

Amendments to HKAS 40 – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK (IFRIC) Interpretation 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this interpretation has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
HKFRS 16	Leases[1]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for business combinations and asset acquisitions which the acquisition date is on or after the beginning annual period beginning on or after 1 January 2020

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVTPL.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group, as the lessee, has non-cancellable operating lease commitments of approximately S$714,000 as disclosed in note 28(b). The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after 31 December 2019 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HK (IFRIC) Interpretation 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except for the above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's future financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Singapore Dollar ("S$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold properties	18 – 22 years
Computers	4 years
Furniture and fittings	4 – 5 years
Kitchen equipment	4 years
Machinery and equipment	4 years
Motor vehicles	6 years
Renovation	3 – 5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition

(A) Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(i) Sales of goods

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 60 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the sales of goods provide customers a right of return (a right to be refunded in cash). The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right of return assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. As a result of the change in accounting policy for the sales of goods, adjustments have been made to opening balances at 1 January 2018 (see note 2(a)(B)).

Some of the Group's contracts with customers from the sales of goods provides customers a volume rebate if the customers purchase more than certain volume of product in a calendar year. The volume rebates give rise to variable consideration. The Group applies the most likely amount method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebates. In the comparative period, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision for rebate was recognised in accruals, other payables and deposits received. As a result of the change in accounting policy for the sales of goods, adjustments have been made to opening balances at 1 January 2018 (see note 2(a)(B)).

In case of the existence of consideration payable to a customer in the contract, the Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. The Group recognises the reduction of revenue at the later of recognising relevant revenue and paying (or promising to pay) the consideration.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(ii) Other income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(B) Accounting policies applied until 31 December 2017

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Sales of goods are recognised upon on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(ii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

(i) Financial Instruments

(A) Accounting policies applied from 1 January 2018

(i) Financial assets

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

All regular way purchases and sales of financial assets at amortised cost are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. All of the Group's debt instruments are classified as financial assets at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(ii) Impairment loss on financial assets (Continued)

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables and deposits received, amount due to non-controlling interests, bank borrowings and finance lease obligations are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of loans and receivables are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables and deposits received, amount due to non-controlling interests and bank borrowings and finance lease obligations, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. S$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Payments made to the Central Provident Fund in Singapore, which is a defined contribution retirement plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- deposit paid for purchase of property, plant and equipment; and
- investment in a subsidiary

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Related parties

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties *(Continued)*

(2) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

(i) Determining the method to estimate variable consideration and assessing the constraint for the sales of goods

Certain contracts for the sales of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sales of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sales of goods with volume rebates, the Group determined that the most likely amount method is appropriate given the contracts have only two possible outcomes.

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic environment, as well as the uncertainty being resolved within a short period of time.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods. The carrying amount of property, plant and equipment is disclosed in note 14.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 16.

(iii) Provision for ECLs on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) ***Provision for ECLs on trade receivables*** *(Continued)*

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of trade receivables is disclosed in note 17.

(iv) ***Income taxes***

The Group is subject to income taxes in Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. The carrying amount of income tax payable amounted to approximately S$171,000 as at 31 December 2018 (2017: S$406,000). The carrying amount of deferred tax liabilities is disclosed in note 11(b).

6. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the food supplies business. The Group's assets and capital expenditure are principally attributable to this business component.

(ii) Geographical segment information

The Group's revenue from external customers is divided into the following geographical areas:

	Revenue from external customers	
	2018	2017
	S$'000	S$'000
Singapore	**25,330**	27,501
Indonesia	**75**	79
Others	**–**	13
	25,405	27,593

Geographical location of customers is based on the location at which the goods are delivered.

No geographical location of non-current assets is presented as all of the Group's non-current assets are physically based in Singapore.

(iii) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2018	2017
	S$'000	S$'000
Customer A	**3,006**	3,354

7. REVENUE AND OTHER INCOME AND GAINS

(a) Revenue from contracts with customers within the scope of HKFRS 15 recognised is as follows:

	2018 S$'000	2017 S$'000
Sales of goods	25,405	27,593

The following table provides information about disaggregation of revenue from contracts with customers:

	2018 S$'000	2017 S$'000
Product type		
Dry	13,911	14,713
Chilled	4,999	5,858
Frozen	6,495	7,022
	25,405	27,593
Customer type		
Ship supply customers	23,378	25,874
Retail and food service customers	2,027	1,719
	25,405	27,593
Timing of revenue recognition		
At a point in time	25,405	27,593

The following table provides information about trade receivables from contracts with customers:

	2018 S$'000	2017 S$'000
Trade receivables	4,993	6,095

7. REVENUE AND OTHER INCOME AND GAINS *(Continued)*

(b) An analysis of the Group's other income and gains is as follows:

	2018 S$'000	2017 S$'000
Rental income from investment properties	**172**	160
One-off slotting and marketing fee received	**297**	311
Government grants (note)	**48**	39
Gain on disposal of financial assets at FVTPL	**22**	–
Net foreign exchange gain	**11**	–
Gain on disposal of property, plant and equipment	**3**	–
Others	**45**	1
	598	511

Note: Government grants comprised unconditional cash subsidies from government for subsidising the Group's operation.

8. FINANCE COSTS

	2018 S$'000	2017 S$'000
Interest on borrowings	**274**	172
Interest on finance leases	**2**	22
	276	194

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2018 S$'000	2017 S$'000
Auditor's remuneration	119	114
Cost of inventories recognised as expenses		
– Cost of inventories sold	18,489	19,428
– Write-off of inventories	716	173
	19,205	19,601
Depreciation of property, plant and equipment		
– Owned	694	350
– Held under finance lease	12	29
	706	379
Depreciation of investment properties	54	55
Direct operating expenses arising from investment properties that generated rental income	47	56
Employee benefit expenses (including directors' remuneration (note 10))		
– Salaries and welfare	3,120	3,232
– Defined contributions	189	192
	3,309	3,424
Expected credit losses on financial assets (note 36)	6	–
Lease payments under operating leases in respect of motor vehicles, machineries, warehouses and rented premises		
– Minimum lease payments	327	358
– Contingent rents (note)	122	321
	449	679
Listing expenses	–	2,485
Net foreign exchange (gain)/loss	(11)	206

Note: Contingent rents represent lease payments of warehouses which are charged based on the volume of inventories handled in the warehouses.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration is disclosed as follows:

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Discretionary bonuses S$'000	Defined contributions S$'000	Total S$'000
Year ended 31 December 2018					
Executive directors (note (i)):					
Mr. Tan Seow Gee ("Mr. D Tan")	21	224	6	13	264
Mr. Gay Teo Siong ("Mr. R Gay")	21	288	6	10	325
Independent non-executive directors (note (ii)):					
Mr. Tam Wai Tak Victor	21	–	–	–	21
Ms. Chan Oi Chong	21	–	–	–	21
Mr. Choy Wing Hang William *(note (iii))*	21	–	–	–	21
Total	105	512	12	23	652
Year ended 31 December 2017					
Executive directors (note (i)):					
Mr. D Tan	6	262	10	14	292
Mr. R Gay	6	324	10	10	350
Independent non-executive directors (note (ii)):					
Mr. Tam Wai Tak Victor	6	–	–	–	6
Ms. Chan Oi Chong	6	–	–	–	6
Mr. Choy Wing Hang William *(note (iii))*	6	–	–	–	6
Total	30	586	20	24	660

Notes:

(i) Mr. D Tan and Mr. R Gay were appointed as the executive directors of the Company with effect from 27 January 2017.

(ii) Mr. Tam Wai Tak Victor, Ms. Chan Oi Chong and Mr. Choy Wing Hang William were appointed as the independent non-executive directors of the Company with effect from 30 August 2017.

(iii) Mr. Choy Wing Hang William resigned as the independent non-executive director of the Company and Ms. Luk Huen Ling Claire was appointed as the independent non-executive director of the Company with effect from 4 February 2019.

(iv) Mr. Cheng King Yip was appointed as the non-executive director of the Company with effect from 12 February 2019.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2017: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2017: Nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2017: two) for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining three (2017: three) highest paid non-director individuals for the year, are set out below:

	2018 S$'000	2017 S$'000
Salaries, allowances and benefits in kind	424	493
Discretionary bonuses	20	26
Defined contributions	27	26
	471	545

The emolument paid or payable to each of the above non-director individuals for the year fell within the following band:

	2018 No. of individuals	2017 No. of individuals
Nil to Hong Kong Dollar ("HK$") 1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	1

11. INCOME TAX EXPENSE

(a) Income tax

The amount of taxation in the consolidated statement of comprehensive income represents:

	2018 S$'000	2017 S$'000
Current tax – Singapore income tax		
– Tax for the year	125	406
– Under/(over)-provision in respect of prior years	21	(5)
	146	401
Deferred tax		
– Current year	104	–
Income tax expense	250	401

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands. Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for the year.

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2018 S$'000	2017 S$'000
Loss before income tax	(152)	(675)
Tax calculated at the statutory rate of 17% (2017: 17%)	(26)	(115)
Tax effect of revenue not taxable for tax purpose	(7)	–
Tax effect of expenses not deductible for tax purpose*	229	571
Tax effect of temporary differences not recognised	9	(5)
Tax effect of tax losses not recognised	62	18
Enhanced tax allowances, exemptions and rebates	(38)	(63)
Under/(over)-provision in respect of prior years	21	(5)
Income tax expense	250	401

* The amount for the year ended 31 December 2017 was mainly arising from listing expenses which are not deductible for tax purpose.

11. INCOME TAX EXPENSE *(Continued)*

(b) Deferred tax

Details of the deferred tax liabilities recognised and movements during the year are as follows:

	Accelerated tax depreciation S$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	17
Charged to profit or loss for the year	104
At 31 December 2018	121

As at 31 December 2018, the Group has estimated unused tax losses of approximately S$588,000 (2017: S$224,000) that are available for offsetting against future taxable profits. The estimated unused tax losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

13. LOSS PER SHARE

	2018 **S$'000**	2017 S$'000
Loss		
Loss attributable to owners of the Company	**(366)**	(1,066)

	2018 **'000**	2017 '000
Number of shares		
Weighted average number of ordinary shares	**600,000**	513,205

The calculation of basic loss per share for the year ended 31 December 2018 is based on the loss attributable to owners of the Company of approximately S$366,000 (2017: S$1,066,000) and on the weighted average number of 600,000,000 (2017: 513,205,479) ordinary shares in issue during the year.

Dilutive loss per share is the same as the basic loss per share because the Group has no dilutive potential shares during the years ended 31 December 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S$'000	Computers S$'000	Furniture, and fittings S$'000	Kitchen equipment S$'000	Machinery and equipment S$'000	Motor vehicles S$'000	Renovation S$'000	Construction in progress S$'000	Total S$'000
At 1 January 2017									
Cost	4,000	151	103	244	204	585	614	–	5,901
Accumulated depreciation	(1,277)	(96)	(89)	(239)	(145)	(372)	(596)	–	(2,814)
Net carrying amount	2,723	55	14	5	59	213	18	–	3,087
Year ended 31 December 2017									
Opening net carrying amount	2,723	55	14	5	59	213	18	–	3,087
Additions	–	35	4	–	–	113	–	–	152
Depreciation	(223)	(28)	(7)	(3)	(24)	(80)	(14)	–	(379)
Closing net carrying amount	2,500	62	11	2	35	246	4	–	2,860
At 31 December 2017 and 1 January 2018									
Cost	4,000	186	107	244	204	698	614	–	6,053
Accumulated depreciation	(1,500)	(124)	(96)	(242)	(169)	(452)	(610)	–	(3,193)
Net carrying amount	2,500	62	11	2	35	246	4	–	2,860
Year ended 31 December 2018									
Opening net carrying amount	**2,500**	**62**	**11**	**2**	**35**	**246**	**4**	**–**	**2,860**
Additions	**10,295**	**10**	**–**	**–**	**7**	**103**	**–**	**2,182**	**12,597**
Depreciation	**(578)**	**(27)**	**(5)**	**(1)**	**(18)**	**(76)**	**(1)**	**–**	**(706)**
Closing net carrying amount	**12,217**	**45**	**6**	**1**	**24**	**273**	**3**	**2,182**	**14,751**
At 31 December 2018									
Cost	**14,295**	**196**	**107**	**244**	**211**	**732**	**614**	**2,182**	**18,581**
Accumulated depreciation	**(2,078)**	**(151)**	**(101)**	**(243)**	**(187)**	**(459)**	**(611)**	**–**	**(3,830)**
Net carrying amount	**12,217**	**45**	**6**	**1**	**24**	**273**	**3**	**2,182**	**14,751**

Notes:

(i) As at 31 December 2018, the Group's motor vehicles with an aggregate net carrying amount of approximately S$86,000 (2017: Nil) were held under finance leases (note 25).

(ii) As at 31 December 2018, the Group's leasehold properties with an aggregate net carrying amount of approximately S$12,217,000 (2017: S$2,500,000) were pledged to secure banking facilities granted to the Group (note 24).

15. INVESTMENT PROPERTIES

	S$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,934
Accumulated depreciation	
At 1 January 2017	156
Depreciation	55
At 31 December 2017 and 1 January 2018	211
Depreciation	54
At 31 December 2018	265
Net carrying amount	
At 31 December 2018	1,669
At 31 December 2017	1,723
Fair value	
At 31 December 2018	3,320
At 31 December 2017	3,430

The estimated useful life of the investment properties is from 27 to 50 years. The investment properties are stated at cost less accumulated depreciation and any impairment loss.

Fair value is determined by a direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. The fair value of the investment properties has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The fair value disclosed is categorised as Level 3 valuation.

Significant unobservable input used in valuing the investment properties was the price per square meter and taking into account the movement of the industrial property market index in Singapore, location and other individual factors. The highest and best use of the investment properties of the Group does not differ from its current use.

The investment properties were secured for the Group's mortgage loans (note 24).

16. INVENTORIES

	2018 S$'000	2017 S$'000
Inventories for resale	2,495	3,429

17. TRADE RECEIVABLES

	2018 S$'000	2017 S$'000
Trade receivables	5,007	6,095
Less: Loss allowance for trade receivables	(14)	–
	4,993	6,095

The credit period is generally ranging from cash on delivery to 60 days.

Based on invoices date, ageing analysis of the Group's trade receivables (net of loss allowance) is as follows:

	2018 S$'000	2017 S$'000
0 to 30 days	2,155	2,015
31 to 90 days	2,777	3,739
91 to 180 days	54	288
Over 180 days	7	53
	4,993	6,095

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 36.

18. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 S$'000	2017 S$'000
Deposits	220	302
Prepayments	130	127
Other receivables	60	246
Right of return assets	5	–
	415	675
Classified as:		
Non-current assets	26	25
Current assets	389	650
	415	675

19. DUE FROM THE HOLDING COMPANY

	2018 S$'000	2017 S$'000
Packman Global	411	411
Maximum balance due during the year	411	411

Packman Global is owned by Mr. D Tan, Mr. R Gay and Mr. Tan Chih Keong ("Mr. M Tan"), a key management personnel of the Group and a director of the Cool Link & Marketing Pte Ltd ("Cool Link Marketing") and Cool Link Food Supply Pte. Ltd. ("Cool Link Supply"), subsidiaries of the Company, as to one third each.

The balances were unsecured, interest-free and repayable on demand, which have been fully settled in March 2019.

20. CASH AND CASH EQUIVALENTS

	2018 S$'000	2017 S$'000
Cash at banks and in hand	8,023	10,289

Bank balances earn interest at floating rates based on daily bank deposit rates.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2018 S$'000	2017 S$'000
United State Dollar ("US$")	14	13
HK$	5,508	8,309

21. TRADE PAYABLES

	2018 S$'000	2017 S$'000
Trade payables	2,360	2,939

The credit period is generally ranging from cash on delivery to 60 days.

Based on invoices date, ageing analysis of the Group's trade payables is as follows:

	2018 S$'000	2017 S$'000
0 to 30 days	1,197	1,613
31 to 90 days	1,017	1,205
91 to 180 days	121	82
Over 180 days	25	39
	2,360	2,939

21. TRADE PAYABLES *(Continued)*

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	2018 S$'000	2017 S$'000
Euro ("EUR")	**720**	1,231
Malaysia Ringgit ("RM")	**197**	196
US$	**143**	47
Swiss franc ("CHF")	**7**	–

22. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2018 S$'000	2017 S$'000
Accruals	**800**	1,320
Other payables	**417**	404
Deposits received	**50**	90
Refund liabilities	**133**	–
	1,400	1,814
Classified as:		
Non-current liabilities	**50**	50
Current liabilities	**1,350**	1,764
	1,400	1,814

Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2018 S$'000	2017 S$'000
HK$	**222**	250

23. DUE TO NON-CONTROLLING INTERESTS

The balances were unsecured, interest-free and repayable on demand.

24. BANK BORROWINGS

	2018 S$'000	2017 S$'000
Current liabilities		
Secured mortgage loans		
– Amounts repayable within one year	629	178
Non-current liabilities		
Secured mortgage loans		
– Amounts repayable after one year	10,443	3,410
Total bank borrowings	11,072	3,588

Notes:

(a) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. As at 31 December 2018, the Group's bank borrowings bore effective interest rate ranging from 1.90% to 7.00% per annum (2017: 2.83% to 6.50%).

(b) Based on the schedule repayment dates set out in the loan agreements, the bank borrowings are repayable as follows:

	2018 S$'000	2017 S$'000
Within one year	629	178
More than one year, but not exceeding two years	647	188
More than two years, but not exceeding five years	2,066	636
After five years	7,730	2,586
	11,072	3,588

(c) The Group's banking facilities are secured by:

(i) the pledge of leasehold properties of the Group with net carrying amount of approximately S$12,217,000 as at 31 December 2018 (2017: S$2,500,000) (note 14); and

(ii) the pledge of investment properties of the Group with net carrying amount of approximately S$1,669,000 as at 31 December 2018 (2017: S$1,723,000) (note 15).

(d) The Group's aggregate banking facilities amount to approximately S$13,833,000 (2017: S$6,377,000), of which approximately S$11,583,000 (2017: S$4,127,000) have been utilised as at 31 December 2018.

25. FINANCE LEASE OBLIGATIONS

	2018		2017	
	Minimum lease payments S$'000	Present values of minimum lease payments S$'000	Minimum lease payments S$'000	Present values of minimum lease payments S$'000
Within one year	17	15	–	–
In the second to fifth years, inclusive	56	49	–	–
	73	64	–	–
Less: Future finance charges	(9)	n/a	–	–
Present value of lease obligations	64	64	–	–
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(15)		–
Amounts due for settlement after 12 months (shown under non-current liabilities)		49		–

The Group leases certain motor vehicles under finance leases (note 14). The lease term is five years. As at 31 December 2018, the effective interest rate is approximately 5.6% per annum. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the charge over the leased assets and guaranteed by Mr. M Tan as at 31 December 2018.

26. SHARE CAPITAL

	Notes	Number of shares	Amount S$'000
Authorised:			
Ordinary shares			
At 27 January 2017	(a)	38,000,000	71
Increase in authorised share capital upon group reorganisation	(b)	9,962,000,000	17,266
At 31 December 2017, 1 January 2018 and 31 December 2018		10,000,000,000	17,337
Issued and fully paid:			
At 27 January 2017	(a)	1	–
Issue of shares upon group reorganisation	(c)	99	–
Share capitalisation	(d)	479,999,900	832
Issue of shares by placing and public offer	(e)	120,000,000	206
At 31 December 2017, 1 January 2018 and 31 December 2018		600,000,000	1,038

Notes:

(a) The Company was incorporated in the Cayman Islands on 27 January 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, 1 nil-paid share in the share capital of the Company was allotted and issued to Sharon Pierson, the initial subscriber, and transferred to Packman Global, which is owned by Mr. D Tan, Mr. M Tan and Mr. R Gay as to one third each.

(b) Pursuant to the written resolutions of the Company's shareholders passed on 30 August 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of additional 9,962,000,000 shares.

(c) A sale and purchase agreement between Packman Global, the Company and the Pre-IPO Investor (as defined in note 27) dated 30 August 2017 pursuant to which Packman Global and the Pre-IPO Investor transferred their respective equity interests in Open Treasure Enterprises Limited ("Open Treasure Enterprises"), a subsidiary of the Company, to the Company in consideration of (i) the initial share held by Packman Global being credited as fully-paid and the Company allotting and issuing 84 shares to Packman Global credited as fully-paid; and (ii) the Company allotting and issuing 15 shares to the Pre-IPO Investor credited as fully-paid.

(d) Pursuant to the written resolutions of the Company's shareholders passed on 30 August 2017, 479,999,900 ordinary shares of HK$0.01 each were issued at par value by way of capitalisation of HK$4,799,999 (equivalent to approximately S$832,000) from the Company's share premium account.

(e) The shares of the Company were listed on the Stock Exchange on 22 September 2017, as a result of which 120,000,000 shares were issued at HK$0.55 per share on the same day. Net proceeds of approximately S$9,790,000 were raised, comprising share capital of HK$1,200,000 (equivalent to approximately S$206,000) and share premium of HK$64,800,000 (equivalent to approximately S$11,150,000), net of share issue expenses of approximately S$1,566,000.

27. RESERVES

(a) The Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

The following describes the nature and purpose of each reserve within owners' equity:

Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Other reserve

The other reserve represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

During the year ended 31 December 2016, a pre-IPO investor (the "Pre-IPO Investor") entered into a share subscription agreement with Open Treasure Enterprises pursuant to which the Pre-IPO Investor agreed to subscribe and Open Treasure Enterprises agreed to allot and issue 15 ordinary shares in the share capital of Open Treasure Enterprises to the Pre-IPO Investor for a total cash consideration of HK$13,000,000 (the "Pre-IPO Investment") to Open Treasure Enterprises. In January 2017, Open Treasure Enterprises issued 15 ordinary shares to the Pre-IPO Investor after the latter fully settled the cash consideration. Accordingly, approximately S$2,390,000 (equivalent to HK$13,000,000) was recorded in the share capital and share premium account of Open Treasure Enterprises.

27. RESERVES *(Continued)*

(b) The Company

	Share premium S$'000	Contributed surplus* S$'000	Accumulated losses S$'000	Total S$'000
At 27 January 2017	–	–	–	–
Arising from group reorganisation	–	10,958	–	10,958
Issue of shares by placing and public offer, net of share issue expenses	9,584	–	–	9,584
Share capitalisation	(832)	–	–	(832)
Loss and total comprehensive income for the period	–	–	(2,864)	(2,864)
At 31 December 2017 and 1 January 2018	8,752	10,958	(2,864)	16,846
Loss and total comprehensive income for the year	–	–	(744)	(744)
At 31 December 2018	8,752	10,958	(3,608)	16,102

* The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation completed on 5 September 2017.

28. OPERATING LEASE ARRANGEMENT

(a) As lessor

As at 31 December 2018, future minimum lease rental receivables under non-cancellable operating leases of the Group are as follows:

	2018 S$'000	2017 S$'000
Within one year	176	176
In second to fifth year	169	345
	345	521

The Group leases its investment properties under operating leases. The leases run for an initial period of three to four years (2017: three to four years), with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

28. OPERATING LEASE ARRANGEMENT *(Continued)*

(b) As lessee

As at 31 December 2018, future minimum rental payables under non-cancellable operating leases of the Group are as follows:

	2018 S$'000	2017 S$'000
Within one year	207	223
In second to fifth year	487	553
After five years	20	1
	714	777

The Group leases motor vehicles, machineries, warehouses and rented premises under operating leases. The leases run for an initial period of three to seven years (2017: three to seven years), with options to renew the lease terms upon expiry when all terms are re-negotiated. Contingent rent is charged based on the volume of inventories handled in the warehouses. As the future handling volume of the warehouses could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

29. CAPITAL COMMITMENT

As at 31 December 2018, the Group has the following capital commitments in respect of:

	2018 S$'000	2017 S$'000
Commitments for acquisition of:		
Property, plant and equipment	782	9,000

29. CAPITAL COMMITMENT *(Continued)*

Note:

In December 2017, Cool Link Marketing has entered into acquisition agreement and side letter (collectively the "Property Acquisition Agreement") with an independent third party in relation to acquisition of a property in Singapore at a consideration of S$10,000,000 (collectively the "Property Acquisition"), the Property Acquisition Agreement would be effective on the date of obtaining approval of JTC Corporation in Singapore.

As at 31 December 2017, the Property Acquisition has not been completed. As of 31 December 2017, the Group has made a deposit of S$1,000,000 in relation to the Property Acquisition.

The details of the Property Acquisition are set out in the Company's announcement dated 5 March 2018 and circular dated 26 March 2018.

The Property Acquisition was completed during the year.

30. RELATED PARTY TRANSACTIONS

(a) As at 31 December 2018, Mr. M Tan, a key management personnel of the Group and a director of Cool Link Marketing and Cool Link Supply, provided a personal guarantee as security for finance lease obligations (note 25).

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2018 S$'000	2017 S$'000
Short-term employee benefits	1,103	1,200
Defined contributions	53	53
	1,156	1,253

31. CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities in respect of performance bonds issued in favour of certain suppliers in its ordinary course of business amounting to S$550,000 (2017: S$400,000). The guarantees in respect of performance bonds issued by bank are secured by leasehold properties and investment properties of the Group and corporate guarantee of the Company.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 S$'000	2017 S$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**10,958**	10,958
Current assets		
Prepayments	**41**	43
Due from the holding company	**411**	411
Due from subsidiaries	**3,384**	3,433
Cash and cash equivalents	**2,568**	3,325
	6,404	7,212
Current liabilities		
Accruals and other payables	**222**	286
	222	286
Net current assets	**6,182**	6,926
Total assets less current liabilities	**17,140**	17,884
Net assets	**17,140**	17,884
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,038**	1,038
Reserves	**16,102**	16,846
Total equity	**17,140**	17,884

On behalf of the directors

Tan Seow Gee
Director

Gay Teo Siong
Director

33. PARTICULARS OF SUBSIDIARIES

Details of subsidiaries as at 31 December 2018 are as follows:

Company name	Place and date of incorporation and form of business structure	Particulars of issued and fully paid up share capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Open Treasure Enterprises	BVI, 28 June 2016, limited liability company	US$100	100%	–	Investment holding	Singapore
Cool Link Marketing	Singapore, 1 March 2001, limited liability company	S$100,000	–	100%	Food supplies business	Singapore
Cool Link Supply	Singapore, 21 December 2015, limited liability company	S$200,000 (2017: S$100,000)	–	90%	Food supplies business	Singapore
Cool Link Trading (HK) Limited	Hong Kong, 15 March 2017, limited liability company	HK$100	–	100%	Inactive	Hong Kong

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group acquired property, plant and equipment at cost of approximately S$75,000 (2017: S$80,000), which were financed by finance lease arrangement as set out in note 25.

(ii) During the year, deposit of approximately S$1,295,000 paid in 2017 for the purchase of property, plant and equipment in 2018 was capitalised as property, plant and equipment, upon completion of acquisition.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	As at 1 January 2018 S$'000	Financing cash flow S$'000	Non-cash changes: Interest expense recognised S$'000	Non-cash changes: New finance lease S$'000	As at 31 December 2018 S$'000
Year ended 31 December 2018					
Due to non-controlling interests	10	(10)	–	–	–
Bank borrowings	3,588	7,210	274	–	11,072
Finance lease obligations	–	(13)	2	75	64

	As at 1 January 2017 S$'000	Financing cash flow S$'000	Non-cash changes: Interest expense recognised S$'000	Non-cash changes: New finance lease S$'000	Non-cash changes: Issue of shares S$'000	As at 31 December 2017 S$'000
Year ended 31 December 2017						
Deposit received from a Pre-IPO Investor	746	1,644	–	–	(2,390)	–
Due to directors	1,028	(1,028)	–	–	–	–
Due to non-controlling interests	10	–	–	–	–	10
Bank borrowings	3,769	(353)	172	–	–	3,588
Finance lease obligations	201	(303)	22	80	–	–

35. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2018, the carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

	2018 S$'000	2017 S$'000
At amortised cost		
Trade receivables	4,993	–
Deposits and other receivables	280	–
Due from the holding company	411	–
Cash and cash equivalents	8,023	–
	13,707	–
Loans and receivables		
Trade receivables	–	6,095
Deposits and other receivables	–	548
Due from the holding company	–	411
Cash and cash equivalents	–	10,289
	–	17,343

Financial liabilities

	2018 S$'000	2017 S$'000
At amortised cost		
Trade payables	2,360	2,939
Accruals, other payables and deposits received	1,400	1,814
Due to non-controlling interests	–	10
Bank borrowings	11,072	3,588
Finance lease obligations	64	–
	14,896	8,351

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks (specifically to foreign currency risk and interest rate risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group only operates in Singapore with most of the transactions denominated and settled in S$, RM, US$, HK$ and CHF. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in S$, which is the functional currency of the subsidiaries in Singapore to which these transactions relate.

As at 31 December 2018, the Group's assets and liabilities denominated in other currencies other than S$ are disclosed in notes 20, 21 and 22.

The following table indicates the approximate effect on the result for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of the reporting period. The appreciation and depreciation of 4% in S$ exchange rate against foreign currencies represents management's assessment of a reasonably possible change in currency exchange rate over the year. No sensitivity analysis for CHF is presented as management considered the exposure is insignificant.

	2018 S$'000	2017 S$'000
RM to S$		
Appreciation by 4%	(7)	(7)
Depreciation by 4%	7	7
US$ to S$		
Appreciation by 4%	(5)	(1)
Depreciation by 4%	5	1
EUR to S$		
Appreciation by 4%	(24)	(41)
Depreciation by 4%	24	41
HK$ to S$		
Appreciation by 4%	175	268
Depreciation by 4%	(175)	(268)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The measures to manage foreign currency risk have since prior years and are considered to be effective.

Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

Other than cash and cash equivalents (note 20), bank borrowings (note 24) and finance lease obligations (note 25), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings whereas its finance lease obligations bore interest at fixed rates. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2018, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's result for the year (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately S$46,000 (2017: S$15,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's cash and cash equivalents are held in major reputable financial institutions, which management believes are of high credit quality.

The Group has policies in place to ensure that sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from cash on delivery to 60 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group does not obtain collateral from customers.

The Group has a certain concentration of credit risk with respect to trade receivables. As at 31 December 2018, the Group's trade receivables due from five largest customers amounted to approximately S$2,004,000 (2017: S$2,672,000) and represented 40% (2017: 44%) of trade receivables. These customers have a good settlement record and reputation.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

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

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	S$'000	S$'000	S$'000
Neither past due nor impaired	0.1%	2,165	(2)	2,163
1 to 30 days past due	0.1%	1,878	(2)	1,876
31 to 90 days past due	0.5%	948	(4)	944
91 to 180 days past due	10%	6	(1)	5
Over 180 days past due	50%	10	(5)	5
		5,007	(14)	4,993

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For deposits and other receivables and amount due from the holding company, management makes periodic as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. The management believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables and amount due from the holding company.

The credit risk for bank balances is considered not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

No significant changes to estimation techniques or assumptions were made during the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(i)(B)(ii)). At 31 December 2017, no trade receivables was determined to be impaired. Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2017 S$'000
Neither past due nor impaired	2,029
1 to 30 days past due	2,372
31 to 90 days past due	1,603
91 to 180 days past due	40
Over 180 days past due	51
	6,095

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 31 December 2017, the Group's trade receivables that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral in respect of trade receivables past due but not impaired. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 **S$'000**	2017 S$'000
Balance at 31 December under HKAS 39	**–**	–
Impact of initial application of HKFRS 9 (note 2(a)(A))	**42**	–
Restated balance at 1 January	**42**	–
Impairment losses recognised (note 9)	**6**	–
Amounts written off	**(34)**	–
Balance at 31 December	**14**	–

The decrease in gross trade receivables resulted in a decrease in loss allowance.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group's liquidity position is monitored on a daily basis by the management.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount S$'000	Total contractual undiscounted cash flow S$'000	Within 1 year or on demand S$'000	More than 1 year but less than 2 years S$'000	More than 2 year but less than 5 years S$'000	Over 5 years S$'000
At 31 December 2018						
Trade payables	2,360	2,360	2,360	–	–	–
Accruals, other payables and deposits received	1,400	1,400	1,350	–	50	–
Bank borrowings	11,072	13,987	949	955	2,866	9,217
Finance lease obligations	64	73	17	17	39	–
	14,896	17,820	4,676	972	2,955	9,217

	Carrying amount S$'000	Total contractual undiscounted cash flow S$'000	Within 1 year or on demand S$'000	More than 1 year but less than 2 years S$'000	More than 2 year but less than 5 years S$'000	Over 5 years S$'000
At 31 December 2017						
Trade payables	2,939	2,939	2,939	–	–	–
Accruals, other payables and deposits received	1,814	1,814	1,814	–	–	–
Due to non-controlling interests	10	10	10	–	–	–
Bank borrowings	3,588	5,178	380	380	1,141	3,277
	8,351	9,941	5,143	380	1,141	3,277

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The measures to manage liquidity risk have been followed by the Group since prior years and are considered to be effective.

Fair values

The directors consider that the fair value of financial assets and financial liabilities are not materially different from their carrying amounts.

37. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes the bank borrowings (note 24), finance lease obligations (note 25), cash and cash equivalents (note 20) and total equity, comprising share capital (note 26), reserves (note 27) and non-controlling interests. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	2018 S$'000	2017 S$'000
Bank borrowings	11,072	3,588
Finance lease obligations	64	–
Less: Cash and cash equivalents	(8,023)	(10,289)
Net debt	3,113	(6,701)
Total equity	17,569	18,003
Net debt to equity ratio	18%	N/A

Financial Summary

RESULTS

	For the year ended 31 December			
	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000
Revenue	**25,405**	27,593	28,177	29,171
Gross profit	**5,698**	7,403	7,161	7,108
(Loss)/profit before income tax	**(152)**	(675)	1,551	2,062
(Loss)/profit and total comprehensive income for the year	**(402)**	(1,076)	1,210	1,710

ASSETS AND LIABILITIES

	As at 31 December			
	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000
Total assets	**32,757**	26,777	18,094	15,108
Total liabilities	**15,188**	8,774	11,195	9,429
Total equity	**17,569**	18,003	6,899	5,679