

TS WONDERS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1767

Share Offer



Sole Sponsor and Joint Lead Manager

VINCO 域高

Vinco Capital Limited

Bookrunner and Joint Lead Manager

聯合證券
Head & Shoulders Securities

Head & Shoulders Securities Limited

Joint Lead Manager

一盈證券有限公司
I WIN SECURITIES LTD.

I Win Securities Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

TS WONDERS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares	:	250,000,000 Shares comprising 200,000,000 new Shares and 50,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares (comprising 175,000,000 new Shares and 50,000,000 Sale Shares) (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$0.55 per Offer Share and not less than HK\$0.50 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1767

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Head & Shoulders Securities Limited

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I Win Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 7 January 2019 or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and, in any event, not later than Wednesday, 9 January 2019. The Offer Price will be not more than HK\$0.55 and is currently expected to be not less than HK\$0.50 unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum indicative Offer Price of HK\$0.55 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.55 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be made on our Company's website at www.taisun.com.sg and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Wednesday, 9 January 2019, the Share Offer will not proceed and will lapse.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right, in certain circumstances, subject to their sole and absolute opinion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Monday, 14 January 2019). Such circumstances are set out in the section headed "Underwriting – Public offer underwriting arrangements – Grounds for termination" of this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

No information on any website forms part of this prospectus.

31 December 2018

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue an announcement on the respective websites of our Company at www.taisun.com.sg and the Stock Exchange at www.hkexnews.hk.

Date ⁽¹⁾
2019

Latest time to complete electronic applications under **HK eIPO White Form**
services through the designated website www.hkeipo.hk ⁽⁴⁾ 11:30 a.m. on Friday
4 January

Application lists of the Public Offer open ⁽²⁾ 11:45 a.m. on Friday
4 January

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and giving **electronic application instructions** to HKSCC ⁽³⁾ 12:00 noon on Friday
4 January

Latest time to complete payment of **HK eIPO White Form** applications by
effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Friday
4 January

Application lists of the Public Offer close ⁽²⁾ 12:00 noon on Friday
4 January

Expected Price Determination Date ⁽⁵⁾ on or around Monday
7 January

Announcement of the final Offer Price, the levels of indication of
interest in the Placing, the level of applications of the Public Offer and
the basis of allocation of the Public Offer Shares to be published on
our Company's website at www.taisun.com.sg and the website of
the Stock Exchange at www.hkexnews.hk on or before Friday, 11 January

Results of allocations in the Public Offer (with successful applicants'
identification document numbers, where applicable) will be
available through a variety of channels in the section headed
"How to apply for Public Offer Shares –
11. Publication of results" of this prospectus on Friday, 11 January

Results of allocations in the Public Offer will be available at
www.tricor.com.hk/ipo/result with a "search by
ID Number/Passport Number/Business Registration Number" function from Friday, 11 January

Despatch/Collection of share certificates or deposit of the
share certificates into CCASS in respect of wholly or
partially successful applications pursuant to the Public Offer ⁽⁷⁾ on or before Friday,
11 January

EXPECTED TIMETABLE

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly and partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer ^(6 and 7) on or before Friday, 11 January

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Monday, 14 January

Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
4. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Monday, 7 January 2019 or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and, in any event, no later than Wednesday, 9 January 2019. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Wednesday, 9 January 2019, the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK\$0.55 per Offer Share, applicants who apply for the Offer Shares must pay on application the maximum indicative Offer Price of HK\$0.55 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed “How to apply for Public Offer Shares – 13. Refund of application monies” of this prospectus.
6. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (**www.hkeipo.hk**) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

EXPECTED TIMETABLE

7. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 11 January 2019. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by Application Forms, they may collect their refund cheques (if any) in person, but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to apply for Public Offer Shares – 14. Despatch/collection of share certificates and refund monies" of this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting – Public offer underwriting arrangements – Grounds for termination" of this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner and the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

This summary aims at giving you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

BUSINESS OVERVIEW

We are a snacks company headquartered in Singapore primarily focused on the production, packaging and sale of nuts and chips with track record of more than 50 years. Our core products include roasted nuts, baked nuts, potato chips and cassava chips. Our products have been sold and distributed to over 10 countries, including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia.

Our nuts and chips are manufactured at our two production facilities located in Johor, Malaysia. Our production system is automated, from sorting of materials, slicing, roasting, frying, right through to packaging of our products. Our production facilities have a maximum annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips respectively.

BRANDS AND PRODUCTS

We operate our business mainly through two categories, namely nuts and chips. We market our nuts products under two core brands, namely, “TAI SUN” and “NATURE’S WONDERS”, and chips products under two core brands, namely, “TREATZ” and “UCA”. The table below sets forth our revenue according to product category during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	37,655,982	74.9%	44,531,504	77.7%	43,158,435	77.7%	20,426,019	75.5%	22,477,969	75.7%
Chips	10,114,144	20.1%	10,217,144	17.8%	10,223,122	18.4%	5,371,936	19.8%	5,713,391	19.3%
Others (Note)	<u>2,534,804</u>	<u>5.0%</u>	<u>2,578,332</u>	<u>4.5%</u>	<u>2,130,389</u>	<u>3.9%</u>	<u>1,273,126</u>	<u>4.7%</u>	<u>1,496,081</u>	<u>5.0%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

SUMMARY AND HIGHLIGHTS

We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. The table below sets forth the breakdown of our revenue attributable to our principal sales channels during the Track Record Period:

	For the three years ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Key account customers	38,466,571	76.5%	42,804,926	74.7%	41,287,370	74.4%	21,245,563	78.5%	23,382,995	78.8%
Distributors	<u>11,838,359</u>	<u>23.5%</u>	<u>14,522,054</u>	<u>25.3%</u>	<u>14,224,576</u>	<u>25.6%</u>	<u>5,825,518</u>	<u>21.5%</u>	<u>6,304,446</u>	<u>21.2%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Our products are sold and distributed to customers in over 10 countries. The table below sets forth the breakdown of our revenue by geographical location of our end customers during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Singapore	30,909,557	61.4%	33,512,712	58.5%	32,853,619	59.2%	16,821,781	62.1%	18,403,193	62.0%
Malaysia	11,148,971	22.2%	11,861,251	20.7%	13,126,229	23.6%	5,713,752	21.1%	6,416,596	21.6%
PRC (including Hong Kong)	4,502,463	9.0%	5,369,186	9.4%	4,559,952	8.2%	2,030,047	7.5%	1,891,273	6.4%
Others ⁽¹⁾	<u>3,743,939</u>	<u>7.4%</u>	<u>6,583,831</u>	<u>11.4%</u>	<u>4,972,146</u>	<u>9.0%</u>	<u>2,505,501</u>	<u>9.3%</u>	<u>2,976,379</u>	<u>10.0%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note:

(1) Others include India, the United Kingdom and Indonesia.

Our flagship and best-selling product category is nuts. We manufacture a wide variety of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas. We have two different variants of nuts products, namely the oil-roasted nuts and oven-roasted nuts. The oil-roasted nuts are generally fried in oil and seasoned, marketed under “TAI SUN” brand. Our oven-roasted nuts are a range of unseasoned premium nuts including macadamia nuts and USA walnuts, thus lower in sodium and high in dietary fibre specifically targeted at health-conscious consumers, marketed under “NATURE’S WONDERS” brand.

Our chips products include potato chips and cassava chips. The potato chips are made from fresh potatoes and flavoured with original, cheese, black pepper or wasabi seasoning, marketed under “TREATZ” brand. The cassava chips are made from cassava roots and flavoured with original, hot and spicy or grill barbecue seasoning, marketed under “UCA” brand. Please refer to the section headed “Business – Our brands and products” of this prospectus for details.

SUMMARY AND HIGHLIGHTS

COMPETITIVE STRENGTHS

We believe our competitive strengths are:

- We have a track record of more than 50 years in the snacks industry primarily focused on the production, packaging and sale of nuts and chips
- We have an established management system to ensure food quality and safety
- We have two production facilities in Malaysia with automated equipment and machinery which have annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips respectively
- We have an international network of customers and distributors, with an established global presence
- We have a stable management team with extensive industry expertise

Please refer to the section headed “Business – Our competitive strengths” of this prospectus for details.

SALES AND CUSTOMERS

We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. Our products are sold and distributed to customers in over 10 countries including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia. For the three years ended 31 December 2017 and six months ended 30 June 2018, revenue from our five largest customers accounted for approximately 57.9%, 54.9%, 56.9% and 54.7% of our total revenue, respectively. Revenue from our largest customer for the same period accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our total revenue respectively.

Due to nature of the snacks industry, supermarket chains are the main channel through which nuts and chips are being sold. Our largest customer being NTUC, is the largest supermarket chain in Singapore with a network of over 200 outlets. Therefore, by virtue of their extensive network and our Group having approximately 30 years of relationship with NTUC (and received awards in recognition of our outstanding support and contribution to them), our sales to NTUC accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Moreover, we also sold our nuts and chips products to over 50 distributors who will then on-sell our products to their customers in more than 10 countries, and sales to distributors contributed above 20% of our total revenue during the Track Record Period. In view of the above, our Directors consider that our current customer profile is appropriate for our industry and our current scale of business operations. Please refer to the section headed “Business – Marketing, sales and customers – Sales and customers” of this prospectus for details.

SUMMARY AND HIGHLIGHTS

PROCUREMENT AND SUPPLIERS

The main materials for our nuts and chips products are various types of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, as well as fresh potatoes and cassava roots. Other materials include seasoning and packaging materials. We procure a majority of our materials from overseas suppliers who are Independent Third Parties located in countries such as the U.S., the PRC, Australia and Vietnam. For the three years ended 31 December 2017 and six months ended 30 June 2018, purchases from our five largest suppliers accounted for approximately 58.4%, 56.4%, 59.5% and 52.3% of our total purchases respectively. Purchases from our largest supplier for the same periods accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases respectively.

The quality and price of our main materials are dependent on the output of the harvest which may be affected by events beyond our control such as natural disasters, infectious diseases, pest infestations and climate change. Therefore, we generally purchase our main materials in bulk to secure the quantity and price of materials to meet our production requirements for a few months. We do not have any long-term agreements with our suppliers. During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or any material fluctuation in the prices of materials.

To ensure consistency in the quality of our snacks, our Executive Directors consider that it is common to purchase materials from the same supplier. As such, we have approximately 20 years of relationship with Primex and our purchases from Primex accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Further, we have alternative suppliers in our approved suppliers list for most of our main materials. During the Track Record Period, we did not experience any significant difficulties in obtaining our materials, and we did not encounter any significant problems with the quality of our materials. Please refer to the section headed “Business – Procurement and suppliers” of this prospectus for details.

PRODUCTION

We produce our nuts and chips in-house at our two production facilities located in Johor, Malaysia, which allows us to quickly respond to changes in market demand and have control over product quality whilst also within close proximity to our head office in Singapore. We outfit our production facilities with automated equipment, which we believe is essential in ensuring the quality of our products and the efficiency of our operations. The table below sets forth our maximum production capacity, actual production volume and our utilisation rate of our production lines for our nuts and chips produced at our respective production sites during the Track Record Period:

Product	For the year ended 31 December							For the six months ended 30 June		For the ten months ended 31 October	
	2015			2016		2017		2018		2018	
	Annual maximum production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Actual production volume	Utilisation rate ⁽²⁾	Actual production volume	Utilisation rate ⁽²⁾	Actual production volume	Utilisation rate ⁽²⁾	Actual production volume	Utilisation rate ⁽²⁾
	(Tonnes)	(Tonnes)	(%)	(Tonnes)	(%)	(Tonnes)	(%)	(Tonnes)	(%)	(Tonnes)	(%)
Nuts	4,380	3,514	80	3,792	87	3,693	84	1,993	91	3,066	84
Potato chips	1,350	1,159	86	1,122	83	1,173	87	615	91	1,017	90
Cassava chips	324	83	26	100	31	108	33	34	21	55	20

Notes:

- (1) Our maximum production capacity for nuts is calculated based on the maximum output of our nuts fryer and oven roasters per shift while for chips is calculated based on the maximum output of chips fryer per hour and assuming that our production facilities operate approximately 18 hours per day in two shifts and 300 days per year.
- (2) The utilisation rate is calculated based on the actual production volume for the relevant year/period divided by the maximum production capacity.

SUMMARY AND HIGHLIGHTS

The average utilisation rate were relatively stable save for the six months ended 30 June 2018 whereby we generally recorded a higher average utilisation rate for our nuts and potato chips products in the first-half of the year mainly due to the ramp up production for the Chinese New Year and Hari Raya festive periods. The utilisation rate for our production of nuts and potato chips were higher mainly due to demand for our nuts and potato chips products are higher as well as constraints by the capacity of our existing equipment and machinery.

The utilisation rate for our production of cassava chips was lower as compared to the production of our nuts and potato chips mainly because of lower demand for our cassava chips products, and as confirmed by the Executive Directors, the poor logistics arranged by farmers led to deteriorating quality of cassava roots which may not be suitable for production of cassava chips. As such, we focus more on the sales of our nuts and potato chips products.

Please refer to the section headed “Business – Production” of this prospectus for details.

SEASONALITY

We experience seasonal fluctuations in our revenue and operating income for our products. We generally record higher revenue for our products in the period leading to the holiday seasons, such as the Chinese New Year, Hari Raya Puasa and Christmas. For example,

- (i) our revenue increased by approximately S\$2.6 million or 9.7% from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which falls in February 2018 leading to a longer period of ramp up sales in the beginning of 2018;
- (ii) our revenue decreased by approximately 10.3% for the three months ended 30 June 2018 compared to the three months ended 31 March 2018, due to relatively higher revenue for the three months ended 31 March 2018 resulting from the longer period of ramp up sales for Chinese New Year in the beginning of 2018. In comparison, in the previous corresponding year, our revenue increased by approximately 7.8% for the three months ended 30 June 2017 compared to the three months ended 31 March 2017. As the Chinese New Year in 2017 fell in January 2017, the beginning of 2017 had relatively shorter period of ramp up sales compared to the beginning of 2018; and
- (iii) as our sales typically ramped up ahead of the festive period, during the Track Record Period, our revenue in the second half of the year was more or less compared with the first half of the year depending on the dates of the Chinese New Year and Hari Raya Puasa each year as follows:
 - during the year ended 31 December 2015, our revenue in the second half of the year was approximately 13.2% higher compared to the first half of the year of 2015 mainly due to the Hari Raya Puasa which fell in the middle of July 2015 leading to relatively shorter ramp up sales in June 2015;
 - during the year ended 31 December 2016, our revenue in the second half of the year was approximately 6.2% lower compared to the first half of the year of 2016. We recorded relatively more revenue in the first half of the year of 2016 mainly due to the Hari Raya Puasa which fell in early July 2016 leading to longer period of ramp up sales in June 2016; and
 - during the year ended 31 December 2017, our revenue in the second half of the year was approximately 5.1% higher compared to the first half of the year of 2017 mainly due to the Chinese New Year which fell in January 2017 leading to shorter period of ramp up sales in the beginning of 2017.

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The seasonal nature of our products causes our production lines to operate at levels approaching full capacity during certain times of the year to meet the demand particularly for the holiday seasons. For instance, the average utilisation rates for our nuts and potato chips production lines were relatively stable save for the six months ended 30 June 2018 where we recorded an average utilisation rate of approximately 91% for both our nuts and potato chips production lines as we generally recorded a higher average utilisation rate in the first-half of the year mainly due to ramp up production for the Chinese New Year and Hari Raya festive periods. As a result of these fluctuations, sales and operating results for any particular period may not necessarily be indicative of our results for the full year or future periods. Our results of operations are likely to continue to fluctuate due to seasonality.

PRICING

In determining our pricing strategies, we take into account a variety of factors, such as the demand and supply of our products, anticipated market trends, retail prices of our competitors' products, prevailing market prices of our materials and production costs. Our Executive Directors will review our product price lists continually and make necessary adjustments should there be significant changes in the price of our materials and/or external factors which would affect the market price of our products. For the three years ended 31 December 2017 and six months ended 30 June 2018, the average selling price per kilogram of our main nuts products are as follows:

	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Macadamia nuts	33.58	33.10	34.69	35.62
Walnuts	27.81	27.25	26.31	25.18
Almonds	19.28	20.79	20.60	21.65
Cashew nuts	19.09	19.44	20.49	22.01
Peanuts	5.58	5.62	5.46	5.16

Generally, the average selling price of our main nuts products was relatively stable save for the following:

- (i) the average selling price of our macadamia nuts which increased to approximately S\$34.69 per kilogram during the year ended 31 December 2017 and further increase to approximately S\$35.62 per kilogram during the six months ended 30 June 2018;
- (ii) the average selling price of our almonds which increased from approximately S\$19.28 per kilogram during the year ended 31 December 2015 to approximately S\$20.79 per kilogram during the year ended 31 December 2016;
- (iii) the average selling price of our almonds which increased from approximately S\$20.60 per kilogram during the year ended 31 December 2017 to approximately S\$21.65 per kilogram during the six months ended 30 June 2018; and
- (iv) the average selling price of our cashew nuts which increased to approximately S\$20.49 per kilogram during the year ended 31 December 2017 and further increase to approximately S\$22.01 per kilogram during the six months ended 30 June 2018.

SUMMARY AND HIGHLIGHTS

Such increase was mainly due to the phasing out of certain bigger sized packets of nuts in replacement of smaller sized packets of nuts where the price per kilogram of smaller sized packets of nuts are relatively higher than the price per kilogram of bigger sized packets of nuts.

Further we also recorded a continued decrease in the average selling price of our walnuts from approximately S\$27.81 per kilogram during the year ended 31 December 2015 to approximately S\$25.18 per kilogram during the six months ended 30 June 2018 mainly due to decrease in the cost of raw walnuts for the three years ended 31 December 2017 and the appreciation of S\$ against US\$ (the main currency in which our purchases of raw walnuts were denominated in) for the six months ended 30 June 2018. As a result of the decrease in cost of raw walnuts, we sold walnuts products at a lower price with the view of increasing our sales.

The average selling price of our chips was approximately S\$10.23 per kilogram, S\$10.49 per kilogram, S\$10.59 per kilogram and S\$10.82 per kilogram for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. The average selling price of our chips products were relatively stable during the Track Record Period. Please refer to the section headed “Business – Marketing, sales and customers – Pricing and credit terms” of this prospectus for details.

COMPETITIVE LANDSCAPE AND MARKET SHARE

As at 22 June 2018, there were more than 350 and 500 players or establishments classified under snacks manufacturing related segments in Singapore and Malaysia respectively. Based on reported revenue for 2017, we were ranked second and seventh in the Ipsos Report with market share of approximately 1.62% and 0.65% of the total snacks industry market value in Singapore and Malaysia respectively.

SUMMARY OF FINANCIAL INFORMATION

The tables below summarise our combined financial information for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively, and should be read in conjunction with our financial information included in the accountants’ report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of combined statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017 (unaudited)	2018
	S\$	S\$	S\$	S\$	S\$
Revenue	50,304,930	57,326,980	55,511,946	27,071,081	29,687,441
Gross profit	10,555,273	13,952,278	13,627,409	7,972,875	8,454,664
Profit before taxation	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
Profit for the year/period	3,268,386	5,711,397	5,973,920	4,244,665	3,012,750

SUMMARY AND HIGHLIGHTS

Highlights of combined statements of financial position

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Non-current assets	18,776,765	17,867,605	19,638,211	19,363,275
Current assets	22,077,976	22,492,812	24,740,281	24,339,001
Current liabilities	(12,623,476)	(10,429,218)	(10,785,787)	(7,051,441)
Net current assets	9,454,500	12,063,594	13,954,494	17,287,560
Non-current liabilities	(3,654,158)	(2,931,311)	(1,970,878)	(1,958,692)
Net assets	24,577,107	26,999,888	31,621,827	34,692,143

Highlights of combined statements of cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	(unaudited) S\$	S\$
Net cash from operating activities	2,587,995	8,274,430	7,317,836	5,624,247	1,220,294
Net cash used in investing activities	(2,580,015)	(1,360,312)	(1,316,278)	(413,270)	(98,244)
Net cash used in financing activities	(2,170,749)	(4,892,190)	(4,639,443)	(3,550,448)	(2,926,702)

The significant increase in our net cash from operating activities for the year ended 31 December 2016 was mainly due to the increase in our profit before taxation as a result of increase in our revenue and gross profit particularly in the sale of our nuts products. The increase in the sale of our nuts products is mainly due to increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create our brand and products awareness to our end customers.

Revenue

Our revenue increased by approximately 14.0% from the year ended 31 December 2015 to the year ended 31 December 2016 mainly due to increase in the sales of our nuts products. Our Executive Directors believe that the increased in the sale of our nuts products is mainly due to increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create our brand and products awareness to our end customers. In addition, the earlier Chinese New Year period which fell in January 2017 led to a ramp up sales in the end of 2016. Our revenue decreased slightly by approximately 3.2% from the year ended 31 December 2016 to the year ended 31 December 2017 mainly because of the earlier Chinese New Year period which fell in January 2017 which led to a shorter period of ramp up sales in 2017. Our revenue increased by approximately S\$2.6 million from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which falls in February 2018 leading to a longer period of ramp up sales in the beginning of 2018. We generally record higher revenue for our products in the period leading to the holiday season (please refer to section headed “Business – Seasonality” of this prospectus for further details). We therefore experienced similar fluctuations in our revenue due to timings of the Chinese New Year period prior to the Track Record Period.

SUMMARY AND HIGHLIGHTS

Cost of sales

Our cost of sales by nature is shown in the table below:

	2015		For the year ended 31 December				For the six months ended 30 June			
	S\$	%	2016	%	2017	%	2017 (unaudited)	%	2018	%
			S\$		S\$		S\$		S\$	
Materials	33,747,311	84.9%	37,298,113	86.0%	35,826,406	85.5%	16,323,594	85.5%	18,102,803	85.3%
Staff costs	2,406,185	6.1%	2,731,045	6.3%	2,694,665	6.4%	1,193,414	6.2%	1,332,895	6.3%
Overheads	3,596,161	9.0%	3,345,544	7.7%	3,363,466	8.1%	1,581,198	8.3%	1,797,079	8.4%
Total	39,749,657	100.0%	43,374,702	100.0%	41,884,537	100.0%	19,098,206	100.0%	21,232,777	100.0%

Gross profit margins

Our total gross profit was approximately S\$10.6 million, S\$14.0 million, S\$13.6 million and S\$8.5 million for the three years ended 31 December 2017 and the six months ended 30 June 2018 respectively. The following table sets forth our gross profit and gross profit margin for the relevant year/period.

	2015		For the year ended 31 December				For the six months ended 30 June			
			2016		2017		2017 (unaudited)		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	6,069,556	16.1%	9,544,186	21.4%	9,338,373	21.6%	5,229,397	25.6%	5,883,445	26.2%
Chips	3,850,033	38.1%	3,746,240	36.7%	3,765,384	36.8%	2,429,217	45.2%	2,213,838	38.7%
Others	635,684	25.1%	661,852	25.7%	523,652	24.6%	314,261	24.7%	357,381	23.9%
Total	10,555,273		13,952,278		13,627,409		7,972,875		8,454,664	
Overall gross profit margin		21.0%		24.3%		24.5%		29.5%		28.5%

The fluctuation in our total gross profit is in line with the fluctuation in our total revenue. The pricing of our Group's nuts and chips products are generally based on prices comparable to competitors for similar products. In addition, the cost of fresh potatoes and cassava roots are lower than the cost of raw nuts, thereby resulting in a lower cost of producing chips products. The cost of fresh potatoes and cassava roots accounted for approximately 50.0%, 52.7%, 52.3%, 44.5% (unaudited) and 50.7% of our revenue of chips products while cost of raw nuts accounted for approximately 71.9%, 68.0%, 67.4%, 64.1% (unaudited) and 63.3% of our revenue of nuts products for the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018 respectively. The percentage of cost of materials to revenue for our chips products was lower as compared to the percentage of cost of materials for our nuts products. As such, our chips products recorded a higher gross profit margin as compared to our nuts products. Our overall gross profit margin increased from approximately 21.0% for the year ended 31 December 2015 to approximately 24.3% for the year ended 31 December 2016 mainly due to decrease in the price of raw nuts. As stated in the Ipsos Report, the average prices of raw nuts in Singapore has decreased from approximately S\$12,920.30 per tonne in 2015 to approximately S\$11,135.30 per tonne in 2016. Average prices of raw nuts were higher in 2015 mainly due to drought conditions in the U.S. which affected the harvest supply. Our overall gross profit margin was relatively stable at approximately 24.5% for the year ended 31 December 2017. Our overall gross profit margin decreased from approximately 29.5% for the six months ended 30 June 2017 to approximately 28.5% for the six months ended 30 June 2018 mainly due to an increase in average cost of fresh potatoes per tonne which were purchased between October 2017 to March 2018 at approximately 5.7% as compared to the average cost of fresh potatoes per tonne which were purchased between October 2016 to March 2017 as a result of depreciation of SGD against EURO (which is one of the main currencies in which our purchases of fresh potatoes were denominated in within this period).

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Profit for the year/period

Our profit for the year increased by approximately 74.7% from the year ended 31 December 2015 to the year ended 31 December 2016 primarily due to the increase in revenue and gross profit. Our profit for the year increased by approximately 4.6% from the year ended 31 December 2016 to the year ended 31 December 2017 mainly due to decrease in our selling and distribution expenses as we recorded a higher selling and distribution expenses for the year ended 31 December 2016 mainly due to higher advertising and promotional activities in conjunction with the 50th anniversary of our business. Our profit for the period decreased by approximately 29.0% from the six months ended 30 June 2017 to the six months ended 30 June 2018 primarily due to the listing expenses incurred. Please refer to section headed “Financial information – Period to period comparison of results of operations” of this prospectus for details.

Key ratios

	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018
	%	%	%	%
Gross profit margin	21.0	24.3	24.5	28.5
Net profit margin	6.5	10.0	10.8	10.1
Return on total assets	8.0	14.2	13.5	N/A ⁽²⁾
Return on equity	13.3	21.2	18.9	N/A ⁽²⁾

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	times	times	times	times
Current ratio	1.7	2.2	2.3	3.5
Gearing ratio ⁽¹⁾	0.4	0.2	0.2	0.1

Notes:

- (1) Gearing ratio is calculated as sum of bank and other borrowings, finance lease obligations, amounts due to related parties and shareholders divided by total equity as at the respective reporting dates.
- (2) N/A denotes not applicable as the ratios are not meaningful given the recorded net profit only represented amount for six months ended 30 June 2018.

Please refer to the section headed “Financial information – Key financial ratios” of this prospectus for further details.

SUMMARY AND HIGHLIGHTS

IMPACT OF LISTING EXPENSES ON THE FINANCIAL PERFORMANCE OF OUR GROUP FOR THE YEAR ENDING 31 DECEMBER 2018

During the Track Record Period, we had incurred and recognised approximately HK\$8.6 million listing-related expenses in the profit and loss account. The total estimated expenses in relation to the Listing are approximately HK\$34.3 million, of which approximately HK\$32.0 million is borne by our Group and approximately HK\$2.3 million is borne by the Selling Shareholder. For the amount of approximately HK\$32.0 million borne by our Group, approximately HK\$9.2 million is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately HK\$22.8 million is expected to be charged to the profit or loss of our Group for the two years ending 31 December 2019. This calculation is based on the mid-point of our indicative Offer Price of HK\$0.525 per Share. **The recognition of the listing expenses is expected to materially affect our financial results for the two years ending 31 December 2019.** The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing. For further details, please refer to the section headed “Financial information – Estimated listing expenses” of this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on strengthening our market position in the snacks industry particularly in the nuts and chips categories in Singapore and Malaysia. As far as we are aware, our industry remained relatively stable after the Track Record Period and up to the date of this prospectus, with no material adverse change in the general economic and market conditions in Singapore and Malaysia, or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. We recorded an increase in our revenue for the ten months ended 31 October 2018 as compared to our revenue in the comparative period in the last year. The average selling price of our main nuts products for the ten months ended 31 October 2018 (i) remained relatively stable for almonds and peanuts; (ii) increased for macadamia nuts and cashew nuts mainly due to the phasing out of certain bigger sized packets of nuts in replacement of smaller sized packet of nuts where the price per kilogram of smaller sized packets of nuts are relatively higher than the price per kilogram of bigger sized packets of nuts; and (iii) decreased for walnuts mainly due to decrease in the cost of raw walnuts with the appreciation of S\$ against US\$ (the main currency in which our purchases of raw walnuts were denominated in), as compared to the average selling price of our main nuts products for the ten months ended 31 October 2017. The average selling price of our chips products for the ten months ended 31 October 2018 remained relatively stable as compared to the ten months ended 31 October 2017. The sales volume of our main nuts products (i) increased by approximately 63.6% for the ten months ended 31 October 2018 as compared to the six months ended 30 June 2018; and (ii) decreased by approximately 7.5% for the ten months ended 31 October 2018 as compared to the ten months ended 31 October 2017 mainly contributed by decrease in sales volume for peanuts as we believe consumers are shifting their preference towards premium nuts whereby we recorded increase in the sales volume for macadamia nuts, walnuts and almonds in the same period. The sales volume of our chips products (i) increased by approximately 61.7% for the ten months ended 31 October 2018 as compared to the six months ended 30 June 2018; and (ii) increased by approximately 10.4% for the ten months ended 31 October 2018 as compared to the ten months ended 31 October 2017. We expect our overall gross profit margin to remain relatively stable for the year ending 31 December 2018. Our net current assets remained relatively stable at approximately S\$17.8 million as at 31 October 2018 although there was an increase in bank and other borrowings from approximately S\$2.5 million as at 30 June 2018 to approximately S\$3.7 million as at 31 October 2018. The increase in bank and other borrowings was mainly due to utilisation of trade financing facilities to repay our suppliers.

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Apart from the abovementioned impact of listing expenses which has also led to higher effective tax rate due to its nature being a non-deductible expenses for tax purpose, and expected higher administrative expenses due to an increase in purchase of machinery parts for the repair and maintenance of our machineries, our Executive Directors do not foresee any material adverse change in our revenue for the year ending 31 December 2018. Our Executive Directors further confirm that save for the impact of the listing expenses, there has been no event, nor material adverse change in our financial or trading position or prospects since 1 July 2018, which would have materially affected the information presented in our combined financial statements included in the accountants' report set forth in Appendix I to this prospectus.

BUSINESS STRATEGIES AND USE OF PROCEEDS

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder's value. For the three years ended 31 December 2017, our revenue were relatively stable within the range of S\$50.0 million to S\$60.0 million. Our Directors are of the view that there is potential for higher growth in our revenue had it not due to (i) the limited range of our existing products to cater for changes in our consumers' taste and preferences; and (ii) we are discouraged from accepting ad-hoc or irregular high quantity orders as we also unable to cope with the demand from our existing customers and required to reschedule certain shipments particularly in certain months of the year leading to the holiday seasons where our production facilities are fully utilised to meet sales demand. For instance, in November 2018, we have rescheduled shipment for orders of at least 6,000 cartons of our products amounting to at least USD230,000. Delay in the shipment to our existing customers also lead to our inability to capture the market demand while it is at its peak during the year. We intend to achieve a higher growth in the future by expanding and strengthening our market position in the snacks industry, through (i) the production and launch of tortilla chips, a new chips product range by leveraging our branding and production capability strength; and (ii) increase the production capacity and sales of nuts and potato chips products. Please refer to the section headed "Business – Business strategies" of this prospectus for a detailed description of these strategies.

We estimate that the aggregate net proceeds from the Share Offer (excluding the net proceeds from the Sale Shares) after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer to be approximately HK\$73.0 million, assuming an Offer Price of HK\$0.525 per Offer Share, being the mid-point of the proposed Offer Price per Share in the range of HK\$0.50 to HK\$0.55. Our Company will not be entitled to the net proceeds from the Sale Shares. We intend to apply the net proceeds to implement the abovementioned business strategies as follows:

Approximate amount of net proceeds/utilised by the year ending	Intended applications
HK\$29.1 million or approximately 39.9%/31 December 2020	Expansion of production capacity and sales of existing nuts and potato chips products by purchasing additional equipment and machinery, establishment of e-commerce platform as well as increase in advertising and marketing expenses
HK\$17.8 million or approximately 24.4%/31 December 2021	Purchase of equipment and machinery, upgrade our existing properties as well as advertising and marketing expenses for the production and launch of tortilla chips
HK\$19.3 million or approximately 26.4%/31 December 2021	Hire additional workers to support business expansion
HK\$6.8 million or approximately 9.3%/31 December 2020	Working capital

SUMMARY AND HIGHLIGHTS

For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.50 per Share	Based on the maximum indicative Offer Price of HK\$0.55 per Share
Market capitalisation ⁽¹⁾	HK\$500,000,000	HK\$550,000,000
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 per Share ⁽²⁾	S\$0.05 (equivalent to HK\$0.28)	S\$0.05 (equivalent to HK\$0.29)

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 per Share is arrived at after the adjustments set forth in Appendix II to this prospectus and based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme.

DIVIDENDS AND DIVIDEND POLICY

For each of the three years ended 31 December 2017, our Group had declared aggregate dividends of approximately S\$1.6 million, S\$2.7 million and S\$3.2 million respectively to the then shareholders. All dividends declared had been settled. We intend to distribute at least 30% of our annual distributable earnings as dividends, subject to our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions (if any) and other factors which our Directors deem relevant. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. For further details, please refer to the section headed “Financial information – Dividends and dividend policy” of this prospectus.

RISK FACTORS

There are risks associated with any investment, and the material risks relating to our business are (i) seasonality; (ii) fluctuation in material prices; and (iii) reliance on third party suppliers for our materials. The material risks relating to our industry are (i) fluctuations in the domestic and global economy, (ii) highly competitive industry; and (iii) changes in regulatory requirements. For further details, please refer to section headed “Risk factors” of this prospectus.

SUMMARY AND HIGHLIGHTS

REGULATORY NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were involved in non-compliances with regards to certain extensions done on two of our properties located in Malaysia. As at the Latest Practicable Date, the relevant regulatory authority has approved the building plans in relation to such extensions. In addition, we had also received a warning letter from the Agri-Food and Veterinary Authority of Singapore and subsequently recalled and destroyed a batch of nuts products where a small piece of stone was found in one of the packets of nuts products manufactured by us. For further details, please refer to the section headed “Business – Non-compliances” of this prospectus.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

U.S. and other jurisdictions or organisations, including the European Union, the United Kingdom, Australia and the United Nations have comprehensive or targeted economic sanctions that are applicable to the Sanctioned Countries.

During the Track Record Period, we engaged with Supplier E (one of our top five suppliers), who is located in a Sanctioned Country, namely Myanmar. In addition, we engaged with distributors who were located in the Sanctioned Countries, namely Yemen and Myanmar. We have not been made aware of the locations and identities of the distributors’ customers where our products were subsequently sold to. Our purchases from Supplier E amounted to approximately S\$1.6 million, S\$2.5 million, S\$3.0 million and S\$1.3 million representing approximately 4.3%, 6.5%, 8.2% and 8.0% of our total purchases during the three years ended 31 December 2017 and six months ended 30 June 2018 respectively, whilst revenue from these distributors amounted to approximately S\$1.5 million, S\$2.5 million, S\$1.9 million and S\$0.9 million representing approximately 3.0%, 4.4%, 3.4% and 3.1% of our total revenue during the Track Record Period respectively.

As described more fully in the section headed “Business – Business activities in Sanctioned Countries” of this prospectus, based on a review of the names of the entities identified by us, the publicly available information from results of internet searches regarding the ownership of these entities, our International Sanctions Legal Advisers have advised us that our Group’s business transactions identified to the International Sanctions Legal Advisers involving Yemen and Myanmar during the Track Record Period do not appear to constitute a violation of the International Sanctions applicable to those jurisdictions by our Group. The International Sanctions Legal Advisers, based on the information provided by us, have advised us that the entities identified by us as participants in these business transactions, as also described more fully in the section headed “Business – Business activities in Sanctioned Countries” of this prospectus, do not appear to be subject to the International Sanctions applicable to Myanmar and Yemen, insofar as none, as identified, appears on the relevant lists of sanctioned entities. Our Directors are not aware of any published facts that lead our Directors to believe that our Group and the Relevant Customers and Suppliers as defined in the section headed “Business – Business activities in Sanctioned Countries” of this prospectus are sanctioned targets of the U.S., the European Union, the United Kingdom, Australia and the United Nations. In addition, our Group and the Relevant Customers and Suppliers are not listed as Sanctioned Persons. For further details, please refer to the section headed “Business – Business activities in Sanctioned Countries” of this prospectus and for details on any risk associated with our business activities in Sanctioned Countries, please refer to the section headed “Risk factors – we engaged with a top five supplier located in a Sanctioned Country and certain distributors who were located in the Sanctioned Countries”.

Notwithstanding the foregoing, we shall cease all our transactions with the supplier and distributors involving Sanctioned Countries upon fulfilment of our and the relevant entities’ obligations under the respective contract and sales orders in hand and after concluding these obligations, we will not knowingly enter into any sanctionable transactions that would expose our Group, our Group’s investors the Stock Exchange HKSCC, HKSCC Nominees or our Shareholder to any risk of being sanction.

SUMMARY AND HIGHLIGHTS

Our Directors are of the view that there will not be material adverse effect on our Group's business, results of operations and financial condition arising from the cessation of our transactions with the supplier and distributors involving Sanctioned Countries in view of the following:

1. we expect to fulfil our remaining obligations to Supplier E under our existing contracts by the first quarter of 2019. In the interim, in our approved suppliers list for suppliers who have passed our assessment criteria, we have at least two alternative suppliers to Supplier E who can supply us cashews while we continue sourcing for more alternative suppliers whereby their products could pass our assessment criteria and suppliers who could extend commercial terms typical to those extended by our existing suppliers. For further details, please refer to the section headed "Business – Procurement and suppliers – Suppliers" of this prospectus; and
2. we expect to fulfill all our remaining obligations to the distributors involving Sanctioned Countries by the first quarter of 2019. In the interim, our sales and marketing team will source for new distributors. We have received expression of interests from potential foreign distributors from countries such as New Zealand and Saudi Arabia to distribute our products. Prior to commencing business relationship with them, the potential distributors will be subject to our evaluation based on our predetermined criteria which include, among others, the size of their operations, sales network and geographic location to ensure chances of overlapping with existing distributors, if any, will be minimal and such distributors will be subject to commercial terms which we typically extended to our existing distributors. For further details, please refer to the section headed "Business – Distributors" of this prospectus.

CONTROLLING SHAREHOLDERS

Following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account of any Shares that may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options that may be granted under the Share Option Scheme), SWL (which is owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong) will hold 750,000,000 Shares, representing 75.0% of the enlarged issued share capital of our Company. Accordingly, SWL, Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong are a group of Controlling Shareholders. For further details, please refer to the section headed "History, Reorganisation and corporate structure" of this prospectus.

REASONS FOR THE LISTING ON THE STOCK EXCHANGE

Our Executive Directors believe that the listing of the Shares on the Stock Exchange will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at the later stage. We believe that the net proceeds from the Share Offer are (i) necessary for the implementation of our future plans; and (ii) an alternative to debt financing after giving consideration to our liquidity position, debt covenants and potential increase in the interest rates. The Listing process could also improve our operational and financial reporting structure, which have reinforced our foundation and are considered to be beneficial and conducive to the healthy growth and long-term continuity of our Group and business. In addition, a public listing status will enhance our brand, corporate profile and recognition and promote our market standing and visibility. Besides, as the consumer market in Singapore is relatively small, we intend to expand our business by increasing our market share in other overseas market, particularly in the PRC by supporting the marketing activities undertaken by our distributor who distributes our products in the PRC market. Our Executive Directors understand that in addition to taking part in local exhibitions and trade fairs in places including Shanghai, Beijing and Chengdu, expansion of online sales via channels including Taobao and JD.com and brand advertisement via the WeChat platform, our distributor intends to set up a sales and distribution office in the PRC and employ a group of sales and marketing employees who will specifically market our nuts and chips products. Our Group shall extend advertising and promotion support to the distributor for sales and marketing purposes capped at specified amount as stipulated in the distributorship agreement and such amount shall be partially funded by our net proceeds. Hence, a listing in Hong Kong could provide an alternative advertising platform for our products, enhance our credibility and improve our visibility to the end consumers which could then potentially increase our sales particularly in the PRC market.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them to be used relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally approved and adopted on 20 December 2018, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“AU\$” or “AUD”	Australian dollars, the lawful currency of Australia
“Bookrunner” or “Stabilising Manager”	Head & Shoulders Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Board of Directors” or “Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 799,999,000 Shares (including 50,000,000 Sale Shares) to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Group – 3. Written resolutions of the sole Shareholder dated 20 December 2018” under the section headed “Statutory and general information” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as a custodian participant(s)

DEFINITIONS

“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant(s) who may be an individual(s) or joint individual(s) or a corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central Provident Fund” or “CPF”	Central Provident Fund of Singapore, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement
“close associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemental or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Miscellaneous Provisions) Ordinance” or “CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	TS Wonders Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on 19 April 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 May 2018
“Concert Party Deed”	a confirmatory deed dated 29 June 2018 executed by Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong, details of which are set out in the section headed “History, Reorganisation and corporate structure – Collective control of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong” of this prospectus
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of our Company means, SWL, Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 20 December 2018 entered into by the Controlling Shareholders (as indemnifiers) in favour of our Company (for ourselves and as trustee for each of our subsidiaries) regarding certain indemnities, particulars of which are set out in the paragraph headed “E. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 20 December 2018 entered into by the Controlling Shareholders (as covenantors) in favour of our Company (for ourselves and for the benefit of each of our subsidiaries) regarding certain non-competition undertakings as further described in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“electronic application instruction(s)”	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Executive Director(s)”	the executive Director(s)
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries and the businesses carried on by them or their predecessors (as the case may be), and “we”, “our” or “us” shall be construed accordingly
“ HK eIPO White Form ”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“IFRS”	International Financial Reporting Standards promulgated by International Accounting Standards Board, IFRS includes International Accounting Standards and interpretation
“Independent Non-Executive Director(s)”	the independent non-executive Director(s)
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected (within the meaning of the Listing Rules) with any of the directors, chief executive, the controlling shareholders or the substantial shareholders of our Company or our subsidiaries or any of their respective associates
“International Sanctions”	sanction-related laws and regulation issued by the United States, the European Union, the United Kingdom, Australia and/or the United Nations with respect to the Sanctioned Countries
“International Sanctions Legal Advisers”	Morgan, Lewis & Bockius LLP, the legal advisers to our Company as to laws regarding the International Sanctions applicable to Myanmar and Yemen
“Ipsos”	Ipsos Pte. Ltd., an Independent Third Party and an independent market research expert
“Ipsos Report”	the industry report prepared by Ipsos and commissioned by our Company, the content of which is quoted in this prospectus
“Joint Lead Managers”	Vinco Capital, Head & Shoulders Securities Limited and I Win Securities Limited
“Latest Practicable Date”	21 December 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing and commencement of dealings of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 14 January 2019, on which our Shares are listed on the Stock Exchange and from which dealings in our Shares commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Mdm. Han”	Ms. Han Yew Lang (韓友蘭), one of our Controlling Shareholders and mother of Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company approved and adopted on 20 December 2018, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this prospectus
“Mr. Brandon Lim”	Mr. Lim Sheng Kwong (林生廣), a member of senior management of our Group and son of Mr. Lawrence Lim and Ms. Jillian Ong
“Mr. James Loo”	Mr. Loo Soon Hock James, one of our Controlling Shareholders, a member of senior management of our Group and spouse of Ms. Sandy Lim
“Mr. John Mok”	Mr. Mok Tang Eng, a member of senior management of our Group
“Mr. Lawrence Lim”	Mr. Lim Fung Chor (林方宙), one of our Controlling Shareholders, an Executive Director, son of Mdm. Han, sibling of Ms. Sandy Lim and Mr. Winston Lim, and spouse of Ms. Jillian Ong
“Mr. Lim (Sr)”	Mr. Lim Jit Syong, late husband of Mdm. Han and father of Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim
“Mr. Ricky Er”	Mr. Er Eng Hui (余榮輝), a member of senior management of our Group
“Mr. Sean Lim”	Mr. Lim Seng Chye (Lin Shengcai (林生財)), an Executive Director and son of Mr. Winston Lim, an Executive Director
“Mr. Terence Loo”	Mr. Loo Yong Keong (Lu Yongqiang)(呂永強), a member of senior management of our Group and son of Ms. Sandy Lim and Mr. James Loo
“Mr. Winston Lim”	Mr. Lim Fung Yee (林芳宇), one of our Controlling Shareholders, an Executive Director, son of Mdm. Han, sibling of Ms. Sandy Lim and Mr. Lawrence Lim and father of Mr. Sean Lim, an Executive Director
“Ms. Jillian Ong”	Ms. Ong Liow Wah (王蓮華), one of our Controlling Shareholders and spouse of Mr. Lawrence Lim
“Ms. Sandy Lim”	Ms. Lim Seow Yen (林小燕), one of our Controlling Shareholders, an Executive Director, daughter of Mdm. Han, sibling of Mr. Winston Lim and Mr. Lawrence Lim and spouse of Mr. James Loo
“NTUC”	NTUC Fairprice Co-operative Ltd, a supermarket chain in Singapore founded in 1973, our largest customer during the Track Record Period
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control

DEFINITIONS

“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be offered, pursuant to the Share Offer, which will not be more than HK\$0.55 and is currently expected to be not less than HK\$0.50, to be agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	together, the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing 15.0% of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, subject to the terms of the Placing Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company and the Selling Shareholder, at the Offer Price, subject to the terms and conditions described in this prospectus and the Placing Underwriting Agreement
“Placing Shares”	the 225,000,000 Shares (comprising 175,000,000 new Shares initially offered by our Company for subscription and 50,000,000 Sale Shares initially offered by the Selling Shareholder for sale) at the Offer Price under the Placing (subject to reallocation and the Over-allotment Option) as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date, amongst others, by our Company, the Selling Shareholder, the Controlling Shareholders, the Executive Directors, the Sole Sponsor, the Bookrunner, the Joint Lead Managers and the Placing Underwriters, as further described under the section headed “Underwriting” of this prospectus
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before the Price Determination Date to record and fix the final Offer Price

DEFINITIONS

“Price Determination Date”	on or about Monday, 7 January 2019 and, in any event, not later than Wednesday, 9 January 2019, on which the final Offer Price will be determined for the purpose of the Share Offer
“Principal Share Registrar”	Estera Trust (Cayman) Limited, the Cayman Islands share registrar of our Company
“Primex”	Primex International Trading Corp, a private company established in the U.S., our largest supplier during the Track Record Period
“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage, SFC transaction levy, and Stock Exchange trading fee), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the Public Offer as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer, whose name are set out in the section headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 December 2018 relating to the Public Offer entered into, amongst others, by our Company, the Controlling Shareholders, the Executive Directors, the Sole Sponsor, the Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, as further described under the section headed “Underwriting” of this prospectus
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure – Reorganisation” of this prospectus
“Repurchase Mandate”	the general unconditional mandate given to our Directors by the Sole Shareholder relating to the repurchase of Shares, a summary of which is contained in the paragraph headed “A. Further information about our Group – 3. Written resolutions of the sole Shareholder dated 20 December 2018” in Appendix V to this prospectus
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	50,000,000 existing Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Placing

DEFINITIONS

“Sanctioned Country(ies)”	countries where governments such as the United States, the United Kingdom or Australia or governmental organisations such as the European Union or the United Nations, have imposed, through executive order, passing of legislation or other governmental means, or implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries based on their activities in those countries
“Sanctioned Person(s)”	those person(s) and identity(ies) in the Sanctioned Countries listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., the European Union, the United Kingdom, the United Nations or Australia
“Selling Shareholder”	SWL, being one of our Controlling Shareholders which offers the Sale Shares for sale under the Placing, particulars of which are set out in the paragraph headed “E. Other information – 9. Particulars of the Selling Shareholder” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to a resolution passed by the Sole Shareholder on 20 December 2018, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Singapore Government”	the government of Singapore
“Sole Sponsor” or “Vinco Capital”	Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer and one of the Joint Lead Managers to the Share Offer
“sq.m.”	square metre

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Price Determination Date between the Stabilising Manager and the Selling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“SWL”	SWL Limited, a company incorporated in the BVI with limited liability on 28 March 2018, which is owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong, and one of our Controlling Shareholders
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2017 and six months ended 30 June 2018
“Trading Day”	a day on which trading of the Shares takes place on the Stock Exchange
“TSH”	Tai Sun Holding Limited, a company incorporated in the BVI with limited liability on 3 May 2018, and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“TSM”	Tai Sun Lim Kee Food Industries (M) Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 24 May 1990, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“TSS”	Tai Sun (Lim Kee) Food Industries Pte. Ltd., a private company limited by shares incorporated in Singapore on 28 June 1984, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“TST”	Tai Sun Lim Kee Trading Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 25 July 2002, which is owned as to 50% by Mr. Winston Lim and 50% by Mr. Lawrence Lim
“TZF”	Treatz Foods Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 7 January 2014, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	together, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

DEFINITIONS

“United States” or “U.S.”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

Unless otherwise stated, the conversion of S\$ into HK\$ in this prospectus is based on the approximate exchange rate of S\$1.00 to HK\$5.75.

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into S\$ at such rates or any other exchange rates, or vice versa.

Unless otherwise stated, the conversion of RM into HK\$ in this prospectus is based on the approximate exchange rate of RM1.00 to HK\$1.88.

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into RM at such rates or any other exchange rates, or vice versa.

Any discrepancies in any table between the total shown and the sum of the amount (including the percentage) listed are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the English names and their Chinese translations, the English names should prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group's business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"COA"	Certificate of Analysis. A COA is a document that states the identity, purity or microbiological state of a product. It shows that the supplier completed the required testing and that the results meet the product specifications
"FSSC 22000"	A Food Safety System Certification recognised by the Global Food Safety Initiative and is based on existing ISO standards. It consists of a minimum annual audit of the food safety management systems and a minimum annual verification of the pre-requisite elements and additional requirements as included in the scheme and applicable technical specification for sector pre-requisite
"HACCP"	hazard analysis and critical control points, a systematic preventative approach to food safety. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points can be taken to reduce or to eliminate the risk of the hazards which have been identified. HACCP are a set of internationally recognised principles which have been widely promoted and incorporated into food safety legislation in many countries around the world
"HALAL"	Halal is an Arabic word which means allowed or permissible by the Islamic law. In reference to food, it is the dietary standard use to designate food that is consumable or usable by Muslims
"ISO"	the International Organisation for Standardisation
"ISO 9001"	a set of standards and guidelines relating to quality management systems and maintained by ISO, representing an international consensus on good quality management practices
"ISO 22000"	a standard developed by ISO dealing with food safety, specifying the requirements for food safety management systems
"tonne"	a tonne, representing 1,000 kilograms
"OEM"	original equipment manufacturer, which is a company that designs and manufactures a product as specified and eventually rebranded by another firm for sale
"OEM customer"	customer who purchases our nuts and/or chips products that are sold under the customer's brand
"SS 444"	a Singapore food safety standard dealing with food safety according to the HACCP system

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

We have included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed “Summary and highlights”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds”, which are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to our business objectives, strategies and plan of operation, our capital expenditure plans, financial sources, the amount and nature of, and potential for, future development of our business, our operations and business prospects, our dividend payment, the regulatory environment of our industry in general, future development in our industry, and general economic and political trends in Singapore and Malaysia.

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “ought”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or the negative of these words or other similar expressions or statements to identify forward-looking statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our business prospects, business strategies and plan of operation;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, potential for and future development of our business;
- our operations and business prospects, including our ability to retain senior management team members and recruit qualified and experience employees;
- our overall financial condition and performance;
- the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;
- the general industry outlook, competition for our business activities and future development in our industry;
- macroeconomic measures taken by the Singapore and/or Malaysia governments to manage economic growth and general economic trends in Singapore and/or Malaysia;

FORWARD-LOOKING STATEMENTS

- general political and economic conditions in Singapore, Malaysia, Hong Kong and overseas;
- other statements in this prospectus that are not historical facts;
- realisation of the benefits or our future plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Selling Shareholder, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk factors" and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

In this prospectus, statement of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Prospective investors of the Offer Shares should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Share Offer. Prospective investors should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our Group's operations are conducted outside Hong Kong and are governed by the legal and regulatory environment which in some respects may differ from that in Hong Kong. The business, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could contribute to such differences are set out below as well as in other parts in the prospectus.

RISKS RELATING TO OUR BUSINESS

Our business is seasonal

We experience seasonal fluctuations in our revenue and operating income for our products. We generally record higher revenue for our products during the holiday seasons, such as the Chinese New Year, Hari Raya Puasa and Christmas. For example,

- (i) our revenue increased by approximately S\$2.6 million or 9.7% from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which falls in February 2018 leading to a longer period of ramp up sales in the beginning of 2018;
- (ii) our revenue decreased by approximately 10.3% for the three months ended 30 June 2018 compared to the three months ended 31 March 2018, due to relatively higher revenue for the three months ended 31 March 2018 resulting from the longer period of ramp up sales in the beginning of 2018. In comparison, in the previous corresponding year, our revenue increased by approximately 7.8% for the three months ended 30 June 2017 compared to the three months ended 31 March 2017. As the Chinese New Year in 2017 fell in January 2017, the beginning of 2017 had relatively shorter period of ramp up sales compared to the beginning of 2018; and
- (iii) as our sales typically ramped up ahead of the festive period, during the Track Record Period, our revenue in the second half of the year was more or less compared with the first half of the year depending on the dates of the Chinese New Year and Hari Raya Puasa each year as follows:
 - during the year ended 31 December 2015, our revenue in the second half of the year was approximately 13.2% higher compared to the first half of the year of 2015 mainly due to the Hari Raya Puasa which fell in the middle of July 2015 leading to relatively shorter ramp up sales in June 2015;
 - during the year ended 31 December 2016, our revenue in the second half of the year was approximately 6.2% lower compared to the first half of the year of 2016. We recorded relatively more revenue in the first half of the year of 2016 mainly due to the Hari Raya Puasa which fell in early July 2016 leading to longer period of ramp up sales in June 2016; and
 - during the year ended 31 December 2017, our revenue in the second half of the year was approximately 5.1% higher compared to the first half of the year of 2017 mainly due to the Chinese New Year which fell in January 2017 leading to shorter period of ramp up sales in the beginning of 2017.

RISK FACTORS

The seasonal nature of our products causes our production lines to operate at levels approaching full capacity during certain times of the year to meet the demand particularly for the holiday seasons. For instance, the average utilisation rate for our nuts and potato chips production lines were relatively stable save for the six months ended 30 June 2018 where we recorded an average utilisation rate of approximately 91% for both our nuts and potato chips production lines as we generally recorded a higher average utilisation rate in the first-half of the year mainly due to ramp up production for the Chinese New Year and Hari Raya festive periods. As a result of these fluctuations, sales and operating results for any particular period may not necessarily be indicative of our results for the full year or future periods. Our results of operations are likely to continue to fluctuate due to seasonality.

Fluctuations in material prices may adversely affect our profitability

The main materials for our nuts and chips products are various types of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, as well as fresh potatoes and cassava roots. Other materials include seasoning and packaging materials. We purchase all our materials from third party suppliers. Our costs of materials accounted for approximately 84.9%, 86.0%, 85.5% and 85.3% of our cost of sales for the three years ended 31 December 2017 and the six months ended 30 June 2018 respectively. The quality and price of our materials are dependent on the output of the harvest which may be affected by events beyond our control such as natural disasters, infectious diseases, pest infestations and climate change. Our suppliers may not be able to continue to provide materials in sufficient quantities and of suitable quality at an acceptable price to satisfy our production needs should there be a bad harvest. Any interruptions to our material supplies could materially and adversely affect our production and business operation. According to the Ipsos Report, the average prices of raw nuts in Singapore have fluctuated in the range of S\$10,479.40 per tonne to S\$12,920.30 per tonne between 2011 and 2017. In the past, we have not hedged against changes in material prices, and we do not intend to enter into such hedges in the future.

Further, we entered into long-term contracts with some of our customers (generally in the range from one year to five years) and the prices of our products are typically fixed for the duration of our contracts. We do not enter into any long term contracts with our suppliers. We generally purchase in bulk from our major suppliers to secure the quantity and price of materials to meet our production requirements for a few months. There is no assurance that we will be able to pass on any price increase in our materials to our customers which may then adversely affect our profitability and financial performance.

We rely on five largest third party suppliers

During the Track Record Period, our purchases from our five largest suppliers accounted for approximately 58.4%, 56.4%, 59.5% and 52.3% of our total purchases respectively. For the three years ended 31 December 2017 and the six months ended 30 June 2018, purchases from largest supplier accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases respectively. We cannot assure you that these suppliers will continue to supply materials at prices and on terms and conditions acceptable to us. The materials from our suppliers may be affected by natural disasters, infectious diseases, pest infestations and climate change which may expose us to the risk of price fluctuation and availability of supplies. Should there be any disruptions in the operations of our suppliers which affect the supply of materials, we cannot assure that we will be able to locate alternative suppliers with sufficient quantities of suitable quality at an acceptable price and commercial terms, which could then materially and adversely affect our business, overall profitability and financial performance.

RISK FACTORS

Non-compliance of labour laws by our suppliers may adversely affect our reputation and financial performance

We procure a majority of our materials from overseas suppliers who are Independent Third Parties located in countries such as the U.S., the PRC, Australia and Vietnam. Our suppliers include growers of nuts and operate their own farms whom may be dependent on large number of workers in harvesting, processing and packaging of crops. Hence, our suppliers are subject to labour law in their respective countries in relation to, for example, labour working condition, labour exploitation and use of illegal labour. Non-compliance of labour law by our suppliers may lead to enforcement actions by the relevant regulatory authority in the respective countries which may disrupt the supply of materials to us. Should there be any disruptions in the operations of our suppliers, we cannot assure that we will be able to locate alternative supplier on a timely basis who could provide sufficient quantities of suitable quality materials at an acceptable price and commercial terms, which could then materially and adversely affect our business, overall profitability and financial performance.

Inability to maintain and enhance our brands and reputation could materially affect our business

Our business depends significantly on the strength of our brands and reputation in marketing and selling our products. With our track record of more than 50 years in the snacks industry in Singapore, we believe that our corporate brand and product brands are recognised among consumers for quality and reliability. However, our brands and reputation may be affected by product recalls, product liability claims, consumer complaints, penalty from regulators, product labelling errors, intellectual property infringement or negative publicity in the media. Any negative claims against us, even if meritless or unsuccessful, may divert our management's attention and other resources from our day-to-day business operations. Negative media coverage regarding food safety, hygiene, quality or nutritional value of our products may materially and adversely affect the level of consumer recognition and trust in our products. Further, adverse publicity about any regulatory or legal action against us may damage our reputation and brand image, undermine our consumers' confidence in us and reduce the demand for our products. Such adverse publicity could negatively affect our sales and have a material adverse effect on our business, results of operations and financial condition.

Our five largest customers contributed over 50% of our revenue during the Track Record Period

Our largest customer accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our revenue, and our five largest customers accounted for approximately 57.9%, 54.9%, 56.9% and 54.7% of our revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. We expect our sales to such customers to continue being a significant portion of our revenue in the foreseeable future. There is no assurance that we would be able to maintain good business relationship with our five largest customers in the future. Although we entered into long-term contracts with some of our customers (generally in the range from one year to five years), there is no assurance that our customers will not terminate the contract or extend the duration of the contract. Should any of our five largest customers reduce substantially the size of their orders or terminate their business relationship with us entirely, there can be no assurance that we would be able to secure new businesses from other customers as a replacement for our loss of sales. In addition, there can be no assurance that new businesses secured from other customers would be on commercially comparable terms. As such, our results of operations may be materially and adversely affected.

RISK FACTORS

We rely on third party distributors to sell and distribute our products

We generally rely on third party distributors which on-sell our products to sub-distributors, retailers and other customers in countries other than Singapore. For the three years ended 31 December 2017 and six months ended 30 June 2018, sales to our distributors accounted for approximately 23.5%, 25.3%, 25.6% and 21.2% of our total revenue respectively. For the three years ended 31 December 2017 and six months ended 30 June 2018, we sold our products to 51, 58, 55 and 51 distributors respectively. As we generally sell and distribute our products in overseas market through our distributors, we depend on their performance to continuously meet consumers' demand and maintain or increase our sales volume. However, the effectiveness of our distributors may be affected by a number of factors including (i) our distributors' relationship with their sub-distributors and other retailers; (ii) our distributors' financial performance; and (iii) our distributors' success in promoting our products. In the event our distributors fail to effectively sell our products or we lose our distributors or that our distributors terminate their relationship with us (and we are unable to find replacement distributors with similar distribution volume on a timely basis), our revenue, financial condition and results of operations could be adversely affected.

Any food safety or health problems or any negative publicity or media reports related to our materials, our products or other Singapore snack companies could adversely affect our reputation, consumers' perception of our products and our ability to sell our products

We are subject to risks affecting the snacks industry, in particular (i) contamination of materials; (ii) contamination in our nuts and chips products; (iii) product tampering; (iv) product labeling errors; (v) product recalls; and (vi) product liability claims. Moreover, in this age of social media and online reviews/news, any consumer complaint (whether valid or not) can escalate into negative publicity for us. Penalty or actions taken by regulators could adversely affect our reputation and increase our costs of operations. As our Group is one of the few home-grown snacks companies whose branding is strongly related to being a "Singapore" brand, any adverse publicity in relation to other Singapore snack companies may also affect consumers' perceptions of our brand, in particular to overseas consumers. There is also cost involved to manage any of the above risks, and this will also affect our financial performance.

Our business is subject to food safety and product recall

We are subject to risks affecting the snacks industry particularly in food safety. Any contamination in our products may lead to a product recall. On 22 November 2016, a member of public reported to the Agri-Food and Veterinary Authority of Singapore ("AVA") that a small piece of stone was found in a packet of a nuts product manufactured by us. On 30 November 2016, the AVA publicly announced the recall of the affected batch of the nuts product. For further details, please refer to the section headed "Business – Non-compliances – Sale of food product with foreign material" of this prospectus. Our products could also be adversely affected if there are defects in raw materials supplied by our suppliers and/or the food products spoil due to factors such as deterioration of raw materials, improper storage or handling and/or defects in product packaging. Negative news on food safety of our products be it food contamination or defective products may adversely affect our reputation with our customers and consequently affect our sales and financial performance. Further, product recall may also lead to fines by regulatory authority and also additional cost incur to recall our products which may adversely affect our financial performance.

RISK FACTORS

Our operations may be interrupted by mechanical failures and utility shortages or stoppages at our production facilities

Our revenue is dependent on the continued operation of our production facilities. We rely on machines and equipment to produce our nuts and chips products. Our Group's production facilities are subject to inspection, maintenance and part replacement during which our production may be affected. Further, any mechanical failures could materially disrupt our production and may affect our reputation and sales if our customers' demand are not met. We may also need to incur additional costs to repair or replace the affected machines and equipment. There can be no assurance that we will not experience problems with our machines and equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Furthermore, our production and operations depend on continuous and adequate supply of utilities such as water and electricity. Any disruption in the supply of utilities at our production facilities would disrupt our production. In the event of mechanical failure, our production processes cannot be replaced by manual labour and therefore, our production line will incur downtime. This could adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our reputation, business operations and financial condition.

Our efforts in developing and launching new products and new sales channel may not be successful

The snacks industry is highly competitive and consumers may shift their choices and preferences whenever new products are launched or introduced by various marketing and pricing campaigns of different brands. Developing and introducing new products can be risky and expensive and there is no assurance that our new products or flavours will gain market acceptance. Further, investing in new production line requires capital investments and may adversely affect our cash flows. The new production line may be specific to the new products and cannot be used interchangeably to produce our existing products. Should the new products fail to gain consumer acceptance or generate acceptable margins, we may incur a loss in our investment and could adversely affect our financial performance.

In addition, we also expect to diversify our sales channels by establishing an e-commerce platform. We face increased risks when we develop new sales channels, as our experience with new sales channels may be limited. New sales channels may have different competitive conditions, consumer preferences and consumer discretionary spending patterns from our existing sales channels. We may need to build or increase brand awareness in new sales channels by having more advertising and promotional activities than we originally planned. As a result, the investment cost of introducing products in new sales channel may be higher and may take longer to reach expected sales and profit levels than in our existing markets, which could affect the viabilities of these new operations or our overall profitability.

Our business strategies include capital investment which would lead to increase in depreciation charges that may reduce our profitability

Our business strategies include the purchase of new equipment and machinery for the production of our tortilla chips and expansion of existing products. Please refer to the sections headed "Business – Business strategies" and "Future plans and use of proceeds" of this prospectus for further information. The total capital expenditures are estimated to be approximately S\$7.3 million for the year ending 31 December 2019. This would lead to an estimated increase in our depreciation charges of approximately S\$0.7 million for the year ending 31 December 2019. Should our products fail to gain market share or generate acceptable margins, we may incur a loss in our investment and could adversely affect our financial performance.

RISK FACTORS

Our business strategies include the establishment of an e-commerce platform which we have no prior experience

Our business strategies include the establishment of an e-commerce platform to capitalise on the growth of e-commerce sales. Please refer to the sections headed “Business – Business strategies” and “Future plans and use of proceeds” of this prospectus for further information. As we have no prior experience in establishing and managing an e-commerce platform, we plan to engage an external digital consulting firm for one year to establish and manage our e-commerce platform which include setting up and designing our website, social media marketing, email marketing, content marketing and search engine optimization to increase the sales of our product. We also intend to hire employees to work closely with the digital consulting firm and gain the relevant experience in managing the e-commerce platform. Should the external digital consulting firm or we, upon the end of the engagement with the consulting firm, fail to manage our e-commerce platform, we may not be able to expand our market reach to the younger generation of technologically savvy consumers.

Our business strategies to produce and launch tortilla chips may vary the profitability of our business

Our business strategies include the expansion of the offering of our chips products to include tortilla chips. For the three years ended 31 December 2017 and six months ended 30 June 2018, our overall gross profit margin was approximately 21.0%, 24.3%, 24.5% and 28.5% respectively while the gross profit margin for our chips products was approximately 38.1%, 36.7%, 36.8% and 38.7% respectively. There is no certainty that the tortilla chips product will generate similar profit margin as our existing chips products and therefore our gross profit and gross profit margin between nuts and chips products may vary subsequent to the launch of our tortilla chips products.

There may be uncertainties in the accounting estimation on the fair value changes for investment properties and derivative financial instruments

Our Group’s investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise. The fair value was determined by the management of our Group by reference to valuation performed by an independent professional valuer. The valuation involves significant unobservable inputs and valuation adjustment. Further, our derivative financial instruments are also measured at fair value based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risks of various counterparties. The valuation of both of our investment property and derivative financial instruments requires the use of significant unobservable inputs or observable inputs with certain adjustments, all of which are based on judgments, estimates and assumptions. As such, there may be uncertainties in the accounting estimation on the fair value changes for investment properties and derivative financial instruments which could materially affect our results of operations and financial position. During the Track Record Period, we recognised a fair value gain/(loss) on derivative instruments of approximately S\$334,000, S\$(88,000), S\$(114,000) and S\$(30,000) respectively. For the year ended 31 December 2015, we recognised a fair value gain on an investment property of approximately S\$154,000. Hence, any adverse changes in the fair value for investment properties and derivative financial instruments will affect the financial performance of our Group.

RISK FACTORS

Our business plans may not be implemented successfully which may adversely affect our prospects

Our Directors are of the view that the future plan of our Group has been prepared after due and careful enquiry with reference to, among other matters, the expected future prospects of the nuts and chips categories in the snacks industry and the continuation of our competitive advantages and other factors considered relevant. Some of our business plans are based on certain assumptions. The successful implementation of our business plan may be affected by a number of factors including the availability of sufficient funds, government policies relevant to our industry, micro- and macro-economic conditions, our ability to maintain existing competitive advantages, our relationships with our customers and suppliers and the threat and substitutes of new market entrants. There is no assurance that our business plans can be successfully implemented. Should there be any material adverse change in the operating environment which results in our failure to implement any part of our business plans, our prospects may be adversely affected.

Inability to manage our inventories may adversely affect our business operations and financial performance

Our inventories mainly comprise packaging and raw materials, unpacked finished goods and finished goods. As at 31 December 2015, 2016, 2017 and 30 June 2018, our inventories amounted to approximately S\$10.6 million, S\$9.5 million, S\$11.4 million and S\$10.2 million respectively, representing approximately 26.0%, 23.5%, 25.8% and 23.3% of our total assets respectively. Please refer to section headed “Financial information – Discussion on selected balance sheet items – Inventories” of this prospectus for further details. If we overstock our inventories, there may be risk of stock obsolescence as our materials and finished goods have a shelf life of approximately 9 months to 18 months. On the other hand, if we understock our inventories, we may not be able to meet our customers’ demand which may affect our reputation, business operations and financial conditions. Further, as stipulated in certain contracts with our customers, we are required to maintain certain level of finished goods to meet their urgent requirements. Although we actively monitor our inventory levels to plan our purchase and production accordingly, there is no assurance that we will not experience any slow movement of inventories which may result from reduced sales due to changes in customers’ taste and preferences, which is beyond our control or incorrect estimation of market demand for our products. This may result in inventory obsolescence and/or inventory write-off, which may adversely affect our operating cash flow, results of operations and financial condition.

We may not be able to protect our intellectual property rights and industrial know-how, and our ability to compete could be harmed if our intellectual property rights are infringed by or our industrial know-how is disclosed to third parties

Our products are marketed under our trademarks of brand names, which are critical to our continued success and growth, including “TAI SUN”, “NATURE’S WONDERS”, “TREATZ” and “UCA”. Please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix V to this prospectus for further information. Counterfeiting and imitation of popular branded products occurs from time to time. We cannot assure you that we will be able to promptly detect the presence of counterfeited products in the market. Counterfeit products could have a negative impact on our reputation and brands which may lead to loss of consumers’ confidence, reduced sales and increased costs in legal and administrative matters in relation to our intellectual property rights. In addition, there is no assurance that our intellectual properties will not be challenged by third parties particularly in countries which we did not register our trademarks. Intellectual property disputes or litigation may significantly divert our management’s attention and other resources away from our day-to-day operations.

RISK FACTORS

Further, we rely on trade secrets protection to secure our product formulas and production processes. We rely on a combination of confidentiality restrictions in our agreements with our employees and segregation of duties in our production facilities to safeguard our proprietary rights, including the seasoning formulas. Any confidentiality breach by our employees or any other entities having access to our formulas and other trade secrets could result in third parties, including our competitors, gaining access to such formulas and trade secrets. If our competitors are able to successfully imitate our formulae at competitive price, our market share may decrease and consequently affect our results of operations and financial condition.

Inability to renew our existing licences and certifications or the existing licences and certifications are cancelled or suspended could materially affect our operations and financial performance

Our Group holds a number of licences and certifications including manufacturing licence, business and advertisement licence and food establishment licence which enable us to carry on our business. For further details of our material licences and certifications relating to our business in Singapore and Malaysia, please refer to the section headed “Business – Licences, permits and approvals” of this prospectus. In order to maintain our licences and certifications, we have to meet various requirements stipulated by the relevant authorities. Our licences and certifications may be suspended or cancelled if we fail to comply with the applicable requirements. Delay or refusal may also occur when renewing such licences and certifications upon expiry. Failure to renew and maintain our licences and certifications may affect our production, sales and business operations and consequently have an adverse impact on our reputation and financial performance.

Our operations may be subject to transfer pricing adjustment

We manufacture our nuts and chips in-house at our two production facilities located in Johor, Malaysia, which allows us to quickly respond to changes in market demand and have control over product quality whilst also within close proximity to our head office in Singapore. Generally, TSS will sell materials to TSM and TZF for production and then purchase a substantial portion of the finished goods from TSM and TZF for onward sales to our customers. Please refer to the section headed “Business – Transfer pricing arrangement” of this prospectus for further details.

During the Track Record Period, the Malaysia’s tax authorities had conducted a transfer pricing audit on TSM for the financial year 2011 to 2015. As a result of the transfer pricing audit, there was an additional tax payable and a penalty amounting to approximately RM379,000 which has been fully paid by TSM as at the Latest Practicable Date. There is no assurance that tax authorities would not continue to challenge the appropriateness of our Group’s transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. Any adjustment which resulted in higher overall tax liability for our Group may adversely affect the business, financial condition and results of operation of our Group.

RISK FACTORS

Our business is subject to changes in consumer taste, preferences, perceptions and spending patterns

Our business depends substantially on factors such as consumer preferences and taste, perceptions to our brands, product quality and safety, health consciousness and income level which could affect the demand for our products. Our future success will depend partly on our ability to anticipate, identify or adapt to such changes in a timely manner and offer new products to cater to the change in consumers' preferences. According to the Ipsos Report, demand for snack products with less sugar, artificial sweeteners and flavourings such as savoury snacks over the years has seen stronger growth in terms of revenue for Singapore, Malaysia and China as consumers strive to eat better. Further, the demand for more snacking options has also transformed snacks industry of which snacks are now offered in a variety of choices and convenient packaging. Such continued interest in simple and portable snacks has also made some categories of snacks such as fruits, nuts and seeds bars successful. Although we offer savoury snacks such as potato chips, roasted nuts and baked nuts which may considered less sugar, artificial sweeteners and flavourings compared to sweet snacks, we are still subject to consumers' taste, preferences and perceptions on our products whom may consider savoury snacks unhealthy given that certain of the products may be fried in oil with high sodium level content. There is no assurance that we will be able to change our product portfolio on a timely basis or introduce new products or flavours successfully to adapt to the shift in consumers' preferences. In addition, shifts in consumers' perceptions and preferences may lead to loss of sales for our existing products and lead to material adverse effect on our financial condition and results of operations. Failure to respond to changes in consumer taste and preference may affect the sales of our existing products, impairment to our inventories, loss of investment in our equipment and machinery and lead to material adverse effect on our financial condition and results of operations.

We are subject to risks of foreign currency fluctuations

Our headquarter is located in Singapore while our production facilities are located in Malaysia. The presentation currency of our Group is S\$ while the functional currencies are S\$ and RM. During the Track Record Period, our Group recorded other comprehensive (expense)/income arising from translation of foreign operations of approximately S\$(1.0) million, S\$(0.2) million, S\$0.2 million and S\$0.2 million respectively. A depreciation in S\$ will lead to increase in our expense and recognition of translation loss. The sales to our customers are mainly billed and settled in either US\$ or S\$. Our raw nuts and fresh potatoes are sourced overseas and paid in US\$, AU\$ or other foreign currencies. Please refer to section headed "Business – Risk management and internal control systems – Foreign exchange risk" of this prospectus for further details. During the Track Record Period, our Group recognised a net foreign exchange gain/(loss) of approximately S\$(0.6) million, S\$0.1 million, S\$0.3 million and S\$0.2 million respectively. There can be no assurance that the foreign currencies exchange rate will remain stable or favourable to the functional currencies of our Group. In addition, the proceeds from the Share Offer will be denominated in HK\$. As such, any significant foreign exchange rate fluctuations which are not favourable to our Group may result in foreign exchange losses and hence may have a material adverse effect on our financial condition and results of operations.

Inability to attract and retain members of our management staff will adversely affect our operations and financial performance

We rely on our Executive Directors and senior management for key aspects of our business including overall strategic direction of the business, maintenance of new/existing customer relationships and management of our business operations. Our Group's success and growth therefore depend on our ability to identify, hire, train and retain suitable, skilled and qualified key personnel. If any of our senior management ceases to be involved in our Group in the future and we are unable to find suitable replacements in a timely manner, there will be an adverse impact on our business operations and overall financial performance.

RISK FACTORS

Our employees are subject to risks of serious injury caused by the use of production machines and equipment

We use machinery and equipment such as peelers, fryers, oven roasters and packaging machines, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Any significant accident caused by the use of the heavy machinery and equipment could interrupt our production and result in legal and regulatory liabilities. As such, it could have material adverse effect on our business, financial performance and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims and insurance premiums may increase

We cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. Should any significant property damage or personal injury occur in our facilities or to our employees due to accidents, natural disasters, or similar events which are not covered or inadequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss. In addition, we have not maintained insurance policies against losses arising from our environmental liabilities, work stoppages, civil unrest or other activities. Moreover, insurance covering losses from acts of war, terrorism, or natural catastrophes is either unavailable or cost prohibitive.

If we face any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, we may bear a substantial cost and experience a loss. In addition, our insurers will review our policies each year and we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, financial performance and prospects.

Mismatch in turnover days for trade receivables and trade payables will affect our liquidity position

We generally grant a credit term of 30 days to 60 days to our customers from the date of invoice. The credit terms given by our suppliers are generally in the range of one week after shipment to 30 days. Some of our suppliers will also request for deposits or advances when we place our purchase orders. For the three years ended 31 December 2017 and six months ended 30 June 2018, our trade receivables turnover days were approximately 61 days, 60 days, 61 days and 51 days whereas our trade payables turnover days were approximately 32 days, 32 days, 34 days and 26 days respectively. Accordingly, there is a mismatch in our cash inflow and outflow periods which may affect our liquidity position.

We are subject to concentration of credit risk

Our trade receivables as at 31 December 2015, 2016 and 2017 and 30 June 2018 were approximately S\$9.2 million, S\$9.7 million, S\$9.0 million and S\$7.9 million respectively. Approximately 58%, 55%, 57% and 55% of total trade receivables outstanding as at 31 December 2015, 2016 and 2017 and 30 June 2018 were due from top five customers for the respective periods which exposed our Group to concentration credit risk. Our Group's concentration of credit risk by geographical locations is mainly in Singapore and Malaysia, which accounted for approximately 86%, 82%, 82% and 83% of the total trade receivables as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively. Should any of our top five customers is not able to fulfil their payment obligations, it could expose our Group to bad debts and result in impairment losses which may adversely affect our Group's financial performance.

RISK FACTORS

Failure to deliver our products according to the requirements of our customers and/or e-commerce customers could affect our reputation and affect our financial performance

We generally engage third party logistic service providers to deliver our finished goods overseas. We have limited control over the third party logistic service providers and therefore may not have full control over the delivery schedule of our finished goods to our customers. It is our responsibility to deliver our products to the address provided by our customers during the stipulated delivery period. Failure to deliver our products according to the requirements of our customers may lead to termination of contract by our customers which will affect our financial performance and reputation.

In addition, the delivery of our products to our potential online customers will increase the demand of our logistics service providers, thus increases the risk that we may fail to deliver finished products on time. The efficiency of our e-commerce operations depends on the timely receipt of products from our warehouses. Such logistics services could be suspended and thereby interrupt the supply of our finished products if unforeseen events occur which are beyond our control, such as poor handling of and damage to our finished products. If our finished products are not delivered on time or are delivered in a damaged state, our market reputation could be adversely affected.

We engaged with a top five supplier located in a Sanctioned Country and distributors who were located in the Sanctioned Countries

U.S. and other jurisdictions or organisations, including the European Union, the United Kingdom, Australia and the United Nations have comprehensive or targeted economic sanctions that are applicable to Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independent of their location.

During the Track Record Period, we engaged with Supplier E (one of our top five suppliers), who is located in a Sanctioned Country, namely Myanmar. In addition, we engaged with distributors who were located in the Sanctioned Countries, namely Yemen and Myanmar. We are not aware of where or to whom the distributors sold our products. Our purchases from Supplier E amounted to approximately S\$1.6 million, S\$2.5 million, S\$3.0 million and S\$1.3 million representing approximately 4.3%, 6.5%, 8.2% and 8.0% of our total purchases during the three years ended 31 December 2017 and six months ended 30 June 2018 respectively, whilst revenue from these distributors amounted to approximately S\$1.5 million, S\$2.5 million, S\$1.9 million and S\$0.9 million representing approximately 3.0%, 4.4%, 3.4% and 3.1% of our total revenue during the Track Record Period respectively. For further details, please refer to the section headed “Business – Business activities in Sanctioned Countries” of this prospectus.

Although we shall cease all our transactions with the supplier and distributors as disclosed above in those countries upon fulfilment of our and the relevant entities’ obligations under the respective contracts and sales orders and we do not intend to purchase from or sell any of our products to the Sanctioned Countries in the future, there is no assurance that we will be in compliance with the International Sanctions in future. Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions laws and regulations. Our business and reputation could be adversely affected if the authorities of the U.S., the United Kingdom, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. Any alleged violations of sanctions laws and regulations could adversely affect our reputation, business, results of operations and financial position.

RISK FACTORS

Any breach of undertakings provided to the Stock Exchange may lead to the delisting of our Shares

We have undertaken to the Stock Exchange that, after the Listing, (1) we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions; (2) we shall cease all our transactions with the existing supplier and distributors involving Sanctioned Countries upon fulfilment of our and the relevant entities' obligations under the respective contract and sales orders and we will not knowingly enter into any sanctionable transactions that would expose our Group, our Group's investors, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to any risk of being sanctioned; and (3) we will make timely disclosure on the Stock Exchange's and our own website and in our annual reports or interim reports if we should believe that any of our business would put our Group or our Shareholders at risk of being sanctioned, the status of future business (if any) in the Sanctioned Countries and regarding our efforts on monitoring our business exposure to sanctions risks and our business intention relating to Sanctioned Countries. For further details, please refer to the section headed "Business – Business activities in Sanctioned Countries" of this prospectus. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares.

RISKS RELATING TO OUR INDUSTRY

The snacks industry is affected by fluctuations in the domestic and global economy

Our business operations depend on the conditions and overall activity levels in the snacks industry, which may be adversely affected by changes in domestic or global economic conditions in the markets in which we operate and sell our products. These types of changes could include GDP growth, inflation, interest rates, consumers' income growth and the effect of governmental initiatives to manage economic conditions. Any slowdown in global, regional or national economy could result in a drop in consumer confidence, the level of disposal income and the willingness to spend discretionary income on snacks, which result in lower demand for our products, and hence may materially and adversely affect our business, results of operations and financial condition.

The snacks industry which we operate in is highly competitive

The snacks industry generally faces strong competition, based upon factors including brand recognition, flavour, quality and price. Some of our competitors, in particular foreign companies, may have been in the snacks industry for a longer period of time or are backed by conglomerates in the food and beverages industry and thus have substantially greater resources to market and distribute their products. There is also no assurance that our current or potential competitors will not market products which are comparable or more superior or adapt more quickly to evolving industry trends, change in consumers' preferences or change in market requirements. An increase in competition could require us to continue to increase our promotion and advertising expenses, which may adversely affect our profitability. Our selling and distribution expenses amounted to S\$2.2 million, S\$2.7 million, S\$2.2 million and S\$1.1 million for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Should we face increased competition or if we cannot adapt effectively to market conditions, consumers' preferences and/or competitive environment, our Group may not be competitive and our revenue and profitability will be materially and adversely affected.

RISK FACTORS

Changes in regulatory requirements in Singapore and Malaysia may affect our operating costs and profitability

Our operations are subject to laws and regulations that relate to matters such as licensing, employment of foreign workers, food safety, and environmental protection in Singapore and Malaysia, with certain material ones summarised in the section headed “Regulatory overview” of this prospectus. In the event that our operations fail to meet them, we may be subject to fines, suspension of operations, loss of licence, and in more extreme cases, legal proceedings against our Group. If any of these events occurs, it may adversely affect our reputation, business, financial condition and financial performance. Additionally, any changes in such requirements may result in our Group incurring additional compliance costs which may increase our operating costs and adversely affect our profitability.

As food safety is a major requirement of our industry, we are also subject to stringent legislative requirements and relevant laws in the jurisdictions where our products are being sold. Any changes in the foreign governments’ policies and measure that are unfavourable to the industry may have an adverse effect on our production process and also our sales and profitability.

Cessation of government grants or schemes may adversely affect our financial performance

During the Track Record Period, we recognised other income from government grants of approximately S\$211,000, S\$162,000, S\$62,000 and S\$32,000 respectively. The government grants include, for instance, (i) Special Employment Credit whereby the Singapore government provide employers with continuing support to hire older Singaporean workers and persons with disabilities (please refer to section headed “Regulatory overview – Singapore – Special Employment Credit” of this prospectus for further details); and (ii) Wage Credit Scheme whereby the Singapore government co-funded wage increases given to Singapore citizen employees (please refer to section headed “Regulatory overview – Singapore – Wage Credit Scheme” of this prospectus for further details).

In addition, we recognised tax allowance of approximately S\$0.1 million during the year ended 31 December 2016 as TSS is entitled to 400% tax deductions or allowances for qualifying expenditures under the Productivity and Innovation Credit Scheme (please refer to section headed “Regulatory overview – Singapore – Productivity and Innovation Credit Scheme” of this prospectus for further details). For the three years ended 31 December 2017 and six months ended 30 June 2018, we also recognised tax exemption of approximately S\$64,000, S\$68,000, S\$57,000 and S\$53,000 respectively as TSS can enjoy 75% tax exemption on the first S\$10,000 of the chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income (please refer to section headed “Regulatory overview – Singapore taxation – Corporate tax” of this prospectus for further details). The abovementioned tax allowance and exemption are non-recurring in nature, subject to the conditions of the schemes being met and changes in corporate tax exemption as announced by the Singapore and/or Malaysia governments from time to time.

The Special Employment Credit will end in 2019 while the Wage Credit Scheme will end in 2020. The Productivity and Innovation Credit Scheme will lapse after Year of Assessment 2018. The government grants or schemes are generally non-recurring in nature and subject to the conditions of the respective grants or schemes being met. Should the Singapore government do not extend such grants or schemes or provide similar grants or schemes in the future, or we do not meet the conditions stipulated in the respective grants or schemes, our financial performance may be adversely affected. Similarly, there is no assurance that existing tax allowances, deductions or exemptions will continue in the future and without the benefit of such allowances, deductions or exemptions, our financial performance may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

No assurance of liquidity and possible price and trading volume volatility of our Shares

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price.

The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment generally;
- addition or departure of key management;
- developments in the Singapore and/or Malaysia snacks industry;
- changes in Singapore and/or Malaysia governments spending;
- changes in pricing made by us or our competitors;
- fluctuations in market prices and trading volume of the Shares;
- involvement in litigation; and
- general economic environment and other factors.

These broad market and industry fluctuations may adversely affect the market price of the Shares.

There is no guarantee that we will declare dividends in the future

For each of the three years ended 31 December 2017, our Group had declared aggregate dividends of approximately S\$1.6 million, S\$2.7 million and S\$3.2 million respectively to the then shareholders. All dividends declared had been settled. The value of dividends declared and paid in previous years should not be relied on by prospective investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions (if any) and other factors which our Directors deem relevant.

RISK FACTORS

In any event, there is no assurance that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Lead Managers (for themselves and on behalf of the Underwriters) by giving written notice to our Company (for ourselves and on behalf of the Selling Shareholder) upon the occurrence of any of the events stated in the section headed “Underwriting – Public Offer underwriting arrangements – Grounds for termination” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) exercises their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares

Future issues of Shares by our Company or the disposals of Shares by any of the Shareholders or the perception that such issues or sales may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such events will not occur in the future.

Shareholders’ interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance our business operation, expansion and/or other funding needs. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a *pro rata* basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Investors may experience difficulties in enforcing their shareholders’ rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed “3. Cayman Islands company law” in Appendix IV to this prospectus.

The interests of our Controlling Shareholders may conflict with the interests of our Company’s public shareholders

Immediately upon the completion of the Capitalisation Issue and the Share Offer (but without taking into account of Shares that may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 75.0% of our enlarged issued share capital. Therefore, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders’ meetings in matters that are significant to us and our public Shareholders. For example, they may perform significant corporate actions, affect composition of the Board and affect the issue of dividends. Our Controlling

RISK FACTORS

Shareholders may take actions, and exercise influence that favours their interests over the interests of our Company or our public Shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Risk of impact of granting options under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the option to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Under the IFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and our industry

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters or any of their respective directors, affiliates or advisers (other than our independent market research expert, Ipsos). Therefore none of them (other than Ipsos) makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” in this prospectus for further details.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. Our assets and the core business and operations of our Group are primarily located, managed and conducted in Singapore and Malaysia, and will continue to be based in Singapore and Malaysia in the foreseeable future. At present, none of our Executive Directors is ordinarily based in Hong Kong. Our Group does not have, and does not, in the foreseeable future, intend to have, any management presence in Hong Kong.

In view of that, the Sole Sponsor has, on behalf of our Company, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that our Company will have proper arrangements to maintain regular communication with the Stock Exchange, which are in line with the conditions set out in the Guidance Letter HKEx-GL9-09.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Ms. Sandy Lim, our Executive Director and Ms. Chan So Fun, our company secretary. Our company secretary is an ordinary resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Ms. Chan So Fun, our company secretary, has also been authorised to accept service of process and notices in Hong Kong on behalf of our Company for the purpose of the Companies Ordinance;
- (b) each of the authorised representatives has means to contact all members of the Board and the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy whereby (a) each Director will have to provide his/her respective office phone number, mobile phone number, residential phone number, facsimile number and email address (if applicable) to the authorised representatives and his/her alternates (if any); and (b) in the event that a Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her telephone;
- (c) in addition, all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers and email addresses (if applicable) to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange;
- (d) furthermore, all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, together with our company secretary, meet with the Stock Exchange upon reasonable notice; and

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Vinco Capital as the compliance adviser to act as the alternate channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Vinco Capital will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. Vinco Capital will, in addition to the authorised representatives and alternative authorised representatives (if any), act as an additional channel of communication with the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this prospectus 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 prospectus misleading.

Copies of this prospectus required by the Listing Rules and the Companies (Miscellaneous Provisions) Ordinance are available, for information purpose only, at the respective offices of the Joint Lead Managers and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Monday, 31 December 2018 to Thursday, 3 January 2019 and from 9:00 a.m. to 12:00 noon on Friday, 4 January 2019 (both dates inclusive).

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Underwriter(s), any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" of this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by Vinco Capital. The Share Offer is fully underwritten by the Underwriter(s) under the terms of the Underwriting Agreements, on a conditional basis. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for ourselves and on behalf of the Selling Shareholder). The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriter(s)) on or before the Price Determination Date, the Share Offer will not proceed and will lapse. For further information about the Underwriter(s) and the Underwriting Agreement(s), please refer to the section headed "Underwriting" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER AND SALES OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms, and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the related Application Forms may not be used for the purpose of, and do not constitute, an offer or invitation, nor are they calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms, and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this Prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

This prospectus and any other materials relating to the Offer Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”). Accordingly, this prospectus and any other prospectus or materials issued in connection with the offer or sale, or the invitation for subscription or purchase, of Offer Shares, may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of an exemption invoked under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA. In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined the classification of the Offer Shares as a prescribed capital markets product (as defined in the CMP Regulations 2018) and an Excluded Investment Product (as defined in MAS Notice SFA 04-12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be allowed and issued pursuant to the Capitalisation Issue and Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of our Shares or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 250,000,000 Offer Shares, which represent 25% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

Under section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or subject to contingent situation, any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding or disposing of, or dealings in, the Shares. It is emphasised that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding or disposal of, or dealings in, the Shares, or the exercise of any rights in relation to the Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our Company's branch share register to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained in the Cayman Islands by the Principal Share Registrar, Estera Trust (Cayman) Limited. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agree. Dealings in our Shares registered at our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under the section headed “How to apply for Public Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out under the section headed “Structure and conditions of the Share Offer” of this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 14 January 2019, it is expected that the dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 14 January 2019. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 1767.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

TRANSLATIONS

Unless otherwise specified, amounts denominated in S\$ and RM have been translated, for the purpose of illustration only, into HK\$ (or *vice versa*) in this prospectus at the following exchange rates:

S\$1.00 : HK\$5.75

RM1.00 : HK\$1.88

No representation is made that any S\$ and RM amounts were or could have been or could be converted into HK\$, at such rate or any other rate on any date or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Ms. Lim Seow Yen (林小燕)	68 Toh Tuck Road #04-04 Singapore 596733	Singaporean
Mr. Lim Fung Yee (林芳宇)	9 Jalan Sentosa Singapore 418222	Singaporean
Mr. Lim Fung Chor (林方宙)	Apt Blk 170 Bedok South Road #09-350 Singapore 460170	Singaporean
Mr. Lim Seng Chye (Lin Shengcai) (林生財)	9 Jalan Sentosa Singapore 418222	Singaporean
<i>Independent Non-Executive Directors</i>		
Mr. Chan Ka Yu (陳家宇)	Flat B, 25/F, Block 13 Laguna City Kwun Tong Kowloon Hong Kong	Chinese
Mr. Lee Yan Fai (李恩輝)	Flat B, 5/F Wing Fat Court 508 Fuk Wing Street Cheung Sha Wan Kowloon, Hong Kong	Chinese
Mr. Chew Keat Yeow (Zhou Jieyao) (周洁耀)	Apt Blk 516 Jurong West Street 52 #08-41 Singapore 640516	Singaporean

Further information of our Directors can be found in the section headed “Directors and senior management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Vinco Capital Limited

A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Units 4909-4910, 49/F

The Center

99 Queen's Road Central

Hong Kong

Bookrunner

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower

183 Queen's Road Central

Hong Kong

Joint Lead Managers

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower

183 Queen's Road Central

Hong Kong

Vinco Capital Limited

Units 4909-4910, 49/F

The Center

99 Queen's Road Central

Hong Kong

I Win Securities Limited

Room 1916 Hong Kong Plaza

188 Connaught Road West

Sai Wan

Hong Kong

Legal advisers to our Company

As to Hong Kong laws

Michael Li & Co.

Solicitors, Hong Kong

19th Floor, Prosperity Tower

39 Queen's Road Central

Central

Hong Kong

As to Singapore laws

Morgan Lewis Stamford LLC

Advocates & Solicitors, Singapore

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Malaysia laws

Chooi & Company + Cheang & Ariff

Advocates & Solicitors, Malaysia

CCA @ Bangsar

Level 5, Menara BRDB

285, Jalan Maarof

Bukit Bandaraya

59000 Kuala Lumpur

Malaysia

As to Cayman Islands laws

Appleby

Cayman Islands attorneys-at-law

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

As to International Sanctions laws

Morgan, Lewis & Bockius LLP

1111 Pennsylvania Avenue, NW

Washington, DC 20004-2541, USA

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong laws

Fairbairn Catley Low & Kong

Solicitors, Hong Kong

23/F, Shui On Centre

6-8 Harbour Road

Hong Kong

Reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Hong Kong

Auditors

Deloitte & Touche LLP

Public Accountants and Chartered Accountants

6 Shenton Way, OUE Downtown 2

#33-00

Singapore 068809

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Property valuers

Savills Valuation and Professional Services (S) Pte Ltd

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

Savills (Malaysia) Sdn Bhd

Level 9, Menara Milenium
Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

Receiving bank

DBS Bank (Hong Kong) Limited

11th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Room 901, 9th Floor Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong
Headquarters and principal place of business	255 Pandan Loop Singapore 128433
Company secretary	Ms. Chan So Fun <i>Solicitor, Hong Kong</i> 19th Floor, Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong
Authorised representatives	Ms. Chan So Fun 19th Floor, Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong Ms. Lim Seow Yen 68 Toh Tuck Road #04-04 Singapore 596733
Audit committee	Mr. Chan Ka Yu (<i>Chairman</i>) Mr. Lee Yan Fai Mr. Chew Keat Yeow
Remuneration committee	Mr. Lee Yan Fai (<i>Chairman</i>) Mr. Chan Ka Yu Mr. Chew Keat Yeow Mr. Lim Fung Yee
Nomination committee	Mr. Chew Keat Yeow (<i>Chairman</i>) Mr. Chan Ka Yu Mr. Lee Yan Fai Mr. Lim Fung Chor

CORPORATE INFORMATION

Compliance adviser

Vinco Capital Limited

A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Units 4909-4910, 49/F

The Center

99 Queen's Road Central

Hong Kong

**Principal Share Registrar
and transfer office**

Estera Trust (Cayman) Limited

PO Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited

Level 22 Hopewell Centre

183 Queen's Road East

Hong Kong

Principal bankers

DBS Bank Ltd

12 Marina Boulevard

Marina Bay Financial Centre Tower 3

Singapore 018982

Public Bank Berhad

Masai Branch

Nos. 1 & 3, Jalan Suria 3

Bandar Seri Alam

81750 Masai, Johor

Malaysia

Company website

www.taisun.com.sg

(Note: The contents of this website do not form part of this prospectus)

INDUSTRY OVERVIEW

Unless otherwise indicated, the information presented in this section is derived from the Ipsos Report, which was commissioned by us and is prepared primarily as a market research tool. References to Ipsos should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading in any material respect. The information set out in this Industry Overview has not been independently verified by our Group, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters or any other party involved in the Share Offer (other than our independent market research expert, Ipsos) or their respective directors, officers, employees, advisers and agents and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon. So far as our Directors are aware of, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the snacks industry in Singapore, Malaysia and China. A total fee of S\$81,320 was charged by Ipsos for the preparation of the Ipsos Report which we believe reflects the market rates for reports of this type. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. The information and statistics set forth in this section have been extracted from the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,664 personnel worldwide across 89 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence. To provide the above analysis, Ipsos combined the following data and intelligence gathering methodology: (i) desktop research; and (ii) primary research, including interviews with leading industry participants, key stakeholders and industry experts. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates and forecasts on the following principal bases and assumptions:

- (i) it is assumed that the global economy remains a steady growth across the forecast period; and
- (ii) it is assumed that the social and political environments of Singapore, Malaysia and China will remain stable during the forecast period for the sustained development of the snacks industry in Singapore, Malaysia and China.

OVERVIEW OF THE SNACKS INDUSTRY IN SINGAPORE, MALAYSIA AND CHINA

Snacks are defined as a smaller portion of food, generally eaten in between meals. They are usually convenient, easily accessible and can be quickly eaten. Snacks are generally segmented into two: the sweet and savoury segments. Sweet snacks are also known as bakery snacks or confectionary snacks while savoury snacks are sometimes termed as salted snacks. The segments below describe the overview and performances of the snacks industry in Singapore, Malaysia and China respectively:

Singapore

The total market value or revenue for the snacks industry in Singapore grew at a CAGR of approximately 5.4% from 2011 to 2016. By the end of 2017, the market revenue was valued at approximately S\$2.0 billion, at a year-on-year growth rate of approximately 5.0% from 2016. The demand for snacks in Singapore is expected to remain robust beyond 2018, due to the country's rising disposable incomes, increasingly busy lifestyles, and growing tendency to snack. New launches and promotional marketing activities also help to sustain demand, which include new brands promotion, product types advertisement, and flavour variants. There is also a growing demand for better quality, more expensive snack products with less sugar, artificial sweeteners and flavourings (e.g. tendency to choose nuts and seeds as snacks). As such, Ipsos forecasts the industry to grow and to remain sturdy at a CAGR of approximately 4.0% from 2018 to 2022.

The savoury snacks segment of the snacks industry in Singapore grew at a CAGR of approximately 5.9% from 2011 to 2016. By the end of 2017, the savoury snacks segment was valued at approximately S\$276.7 million, with a robust year-on-year growth rate of approximately 5.5% from 2016. Beyond 2018, this segment of the snacks industry is anticipated to grow, following the change in consumer's preference for snack products with less sugar, artificial sweeteners and flavourings such as savoury nuts and seeds. As such, Ipsos expects this segment to grow at a CAGR of approximately 6.2% from 2018 to 2022.

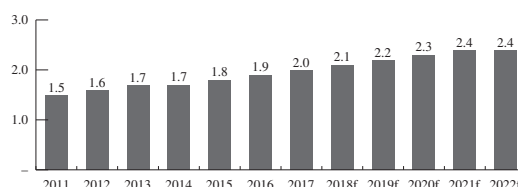
Savoury snacks, sometimes termed as salted snacks include examples such as chips (e.g. potato chips, tortilla chips, corn chips and others), nuts and seeds, processed snacks and traditional snacks. In 2016, chips were the largest category in the Singapore savoury snacks market, accounting for approximately 49.6% of the total market with a value of approximately S\$130.2 million for the same year. Similarly, in 2017, revenue generated from chips also represented the largest category in the Singapore savoury snacks market. In particular, the potato chips category in Singapore has been experiencing steady growth since 2011, growing at CAGR of approximately 4.5% from 2011 to 2016 and a year-on-year growth of approximately 5.0% in 2017. The tortilla chips category in Singapore accounted for approximately 7.43% of the total savoury snacks segment in Singapore in 2016 with a value of about S\$19.5 million, increasing at a CAGR of approximately 5.0% from 2011 to 2016, with a year-on-year growth of approximately 5.7% in 2017. Demand for tortilla chips products is motivated by the ability to consume the chips with a variety of dips, notably salsa, which adds flavour to the chips and provides a unique taste experience over other snack products. This contributes to its popularity within the savoury snacks segment and particularly to urban millennials, serving as a key differentiating factor over other snack products moving forward. As such, beyond 2018, Ipsos expects the prospects for growth for potato chips and tortilla chips¹ categories in Singapore to grow at a similar CAGR of approximately 5.0% and 5.7% respectively from 2018 to 2022.

¹ In Singapore, the number of major players operating within the tortilla chips category is less than 5, and comparatively lesser than the major players offering potato chips products at between 5 to 10 players. Furthermore, most of these major players offering tortilla chips products, are manufacturing tortilla chips overseas, outside of Singapore and Malaysia. As such, prospects for the tortilla chips category remain positive due to the limited number of major players that offer such products, resulting in a less competitive landscape as compared to other snack product categories (i.e. potato chips) that is potentially good for new players entering the tortilla chips market.

INDUSTRY OVERVIEW

Revenues generated from the nuts and seeds category followed closely behind, accounting for approximately 31.2% of the total market with a value of about S\$81.8 million in 2016. In 2017, revenue generated from the nuts and seeds category increased by approximately 5.5% year-on-year to value at about S\$86.3 million. Beyond 2018, the chips, nuts and seeds categories are anticipated to be the fastest growing categories in the savoury snacks segment, mainly driven by the change in consumer's choice to snack products with less sugar, artificial sweeteners and flavourings. As such, Ipsos expects these categories to grow at CAGRs of approximately 6.23% and 6.21% respectively from 2018 to 2022.

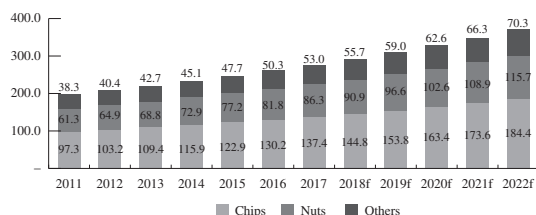
The total market revenue for the snacks industry in Singapore, 2011 – 2022f
Value in S\$ billion



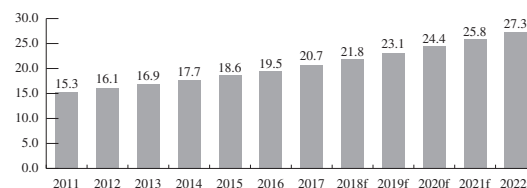
Notes: The letter “f” denotes forecast figures

Sources: Ipsos analysis

The total market revenue for the chips, nuts and seeds category of the savoury snacks segment in Singapore, 2011 – 2022f
Value in S\$ million



The total market revenue for tortilla chips category in Singapore, 2011 – 2022f
Value in S\$ million



Notes: The letter “f” denotes forecast figures; Others include processed snacks and traditional snacks

Sources: Ipsos analysis

Sources: Ipsos analysis

Malaysia

The total market value or revenue for the snacks industry in Malaysia grew at a CAGR of approximately 13.4% from 2011 to 2016. By the end of 2017, the market revenue was valued at approximately RM6.3 billion, at a year-on-year growth rate of approximately 6.8% from 2016. The demand for snacks in Malaysia is expected to remain strong beyond 2018, due to the country's rising disposable incomes, increasing snacking habits and the availability of convenient snacking options. Similar to Singapore, there is also a growing demand for better quality, more expensive snack products with less sugar, artificial sweeteners and flavourings. As such, Ipsos forecast the industry to grow at a sturdy CAGR of approximately 10.76% from 2018 to 2022.

The savoury snacks segment of the snacks industry in Malaysia grew at a CAGR of approximately 10.6% from 2011 to 2016. By the end of 2017, the savoury snacks segment was valued at approximately RM2.2 billion, with a robust year-on-year growth rate of approximately 8.4% from 2016. Beyond 2018, this segment of the

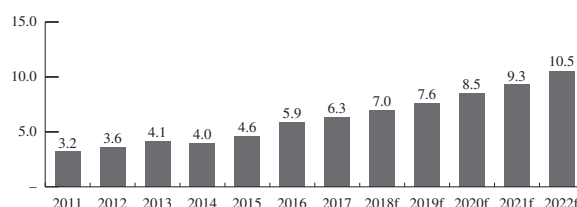
INDUSTRY OVERVIEW

snacks industry is anticipated to grow, following the change in consumer's preference for snack products with less sugar, artificial sweeteners and flavourings such as savoury nuts and seeds. As such, Ipsos expects this segment to grow at a CAGR of approximately 11.0% from 2018 to 2022.

In 2016, potato-based snacks or chips accounted for approximately 22.8% of the savoury snacks market segment in Malaysia, which was valued at about RM462.1 million. In particular, the potato chips category in Malaysia has been growing at CAGR of approximately 8.4% from 2011 to 2016 and a year-on-year growth of approximately 6.5% in 2017. The tortilla chips category in Malaysia valued at approximately RM69.3 million in 2016, which accounted for approximately 3.43% of the total savoury snacks market segment in Malaysia, increasing a CAGR of approximately 10.4% from 2011 to 2016, with a year-on-year growth of approximately 9.5% in 2017. Demand for tortilla chips is motivated by the ability to consume the chips with a variety of dips, such as salsa, which provides additional flavour and a unique taste experience over other snack products, contributing to its popularity and appeal within the savoury snacks segment and serving as a key differentiating factor moving forward. As such, beyond 2018, Ipsos expects the prospects for growth for potato chips and tortilla chips² categories in Malaysia to grow at CAGR of approximately 8.3% and 12.1% respectively from 2018 to 2022.

Revenues generated from the nuts and seeds category followed closely behind, accounting for approximately 19.7% of the total market value in 2016. The remaining 57.5% represents all other snacks categorised under the savoury snacks market segment such as traditional snacks (e.g. keropok lekor), meat snacks (e.g. Slim Jim), popcorn, savoury biscuits etc. In 2017, estimated revenue generated by the chips and nuts and seeds categories increased at approximately 7.2% and 9.5% year-on-year to value at about RM495.5 million and RM435.8 million respectively. Following similar trends of the savoury snacks market segment, demand for chips, nuts and seeds are anticipated to grow steadfastly, mainly driven by the change in consumer's landscape and preference in snacking habits and products. This is also in line with the reduced demand for sweet and sugary snacks over the years by snacks consumers, that are opting for savoury snacks instead to satisfy snacking habits. As such Ipsos expects these categories to grow at CAGRs of approximately 11.0% and 13.0% respectively from 2018 to 2022.

**The total market revenue for the snacks
industry in Malaysia, 2011 – 2022f**
Value in RM billion



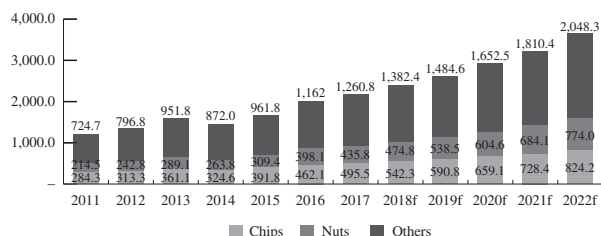
Notes: The letter “f” denotes forecast figures

Sources: DOSM; Ipsos analysis

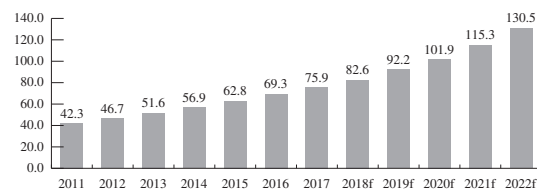
² In Malaysia, the number of major players operating within the tortilla chips category is less than 5, and comparatively lesser than the major players offering potato chips products at between 5 to 10 players. Furthermore, most of these major players offering tortilla chips products, are manufacturing tortilla chips overseas, outside of Malaysia and Singapore. As such, prospects for the tortilla chips category remain positive due to the limited number of major players that offer such products, resulting in a less competitive landscape as compared to other snack product categories (i.e. potato chips) that is potentially good for new players entering the tortilla chips market.

INDUSTRY OVERVIEW

The total market revenue for the chips, nuts and seeds category of the savoury snacks segment in Malaysia, 2011 – 2022f
Value in RM million



The total market revenue for tortilla chips category in Malaysia, 2011 – 2022f
Value in RM million



Notes: The letter “f” denotes forecast figures; Others include processed snacks and traditional snacks.

Sources: DOSM; Ipsos analysis

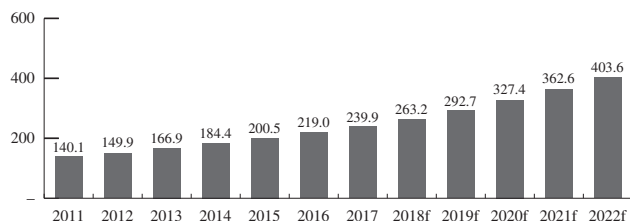
Sources: Ipsos analysis

China

The snacks industry in China grew at a CAGR of approximately 9.4% from 2011 to 2016. By the end of 2017, the snacks industry in China was valued at approximately RMB239.9 billion, which saw a year-on-year growth of approximately 9.5% from 2016. Beyond 2017, the snacks industry is anticipated to grow further mainly driven by the increasing spending power of consumers in China. As such, the snacks industry is forecasted to grow at a CAGR of approximately 11.3% from 2018 to 2022.

In 2016, the savoury snacks segment (including nuts, seeds and chips) of the snacks industry valued at approximately RMB86.3 billion, which grew at a CAGR of approximately 12.7% from 2011. By the end of 2017, savoury snacks are valued at approximately RMB99.9 billion, which saw a year-on-year growth rate of close to 16% from 2016. Beyond 2018, trends in less sugary snacks are anticipated to prevail in the long term as consumers’ requirements and expectations for snack foods increases, with food safety, quality, taste, and function being the major factors when they make their purchase. As such, Ipsos expects the savoury snacks segment in China to grow at a CAGR of approximately 19.4% from 2018 to 2022.

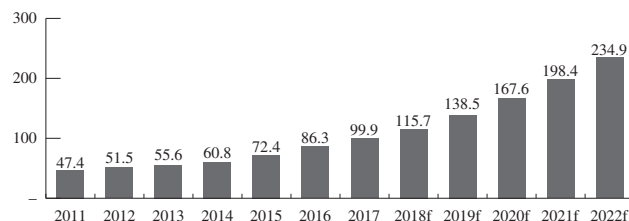
The total market revenue for the snacks industry in China, 2011 – 2022f
Value in RMB billion



Notes: The letter “f” denotes forecast figures

Sources: Secondary research; Ipsos analysis

The total market revenue for the savoury snacks segment (including nuts, seeds and chips) in China, 2011 – 2022f
Value in RMB billion



Notes: The letter “f” denotes forecast figures

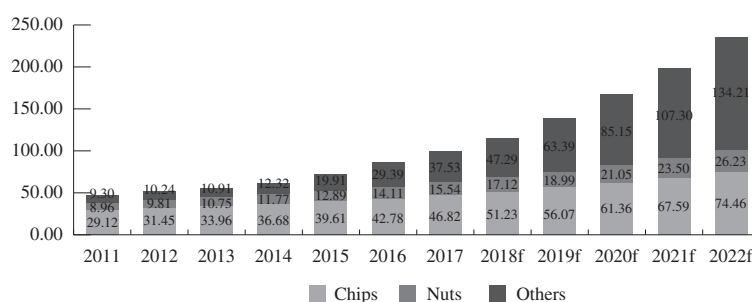
Sources: Secondary research; Ipsos analysis

INDUSTRY OVERVIEW

In 2016, the chips category (e.g. potato chips, tortilla chips etc.) comprised approximately 49.58% of the savoury snacks market segment in China and was the largest category with a value of approximately RMB42.78 billion. Revenue from the chips category further grew by approximately 9.43% year-on-year in 2017. Notably, the potato chips category grew at a CAGR of approximately 9.00% from 2011 to 2016 with a year-on-year growth of approximately 8.71% in 2017. Beyond 2018, Ipsos forecasts the potato chips category in China to grow at a CAGR of approximately 9.80% from 2018 to 2022. Due to limited availability of information, the value of the tortilla chips category within the savoury snacks market segment in China could not be reliably ascertained. However, following similar global trends, Ipsos estimates that demand and prospects for tortilla chips are expected to gain momentum and grow in tandem with the overall chips category in China, as tortilla chips are made from wheat or corn and generally contain less sugar, artificial sweeteners and flavourings that are present in other snacks (i.e. sweet snacks). Furthermore, the ability to consume tortilla chips with a variety of dips, such as salsa, has contributed to its demand and appeal as it provides additional flavour to the chips and a unique taste experience over other snack products, thus contributing to its popularity within the savoury snacks segment and to urban millennials moving forward.

The nuts and seeds segment accounted for approximately 16.35% of the total savoury snacks market in China at about RMB14.11 billion by the end of 2016. In 2017, the segment grew by approximately 10.16% year-on-year to value at about RMB15.54 billion by the end of the year. Beyond 2018, the chips, nuts and seeds segments are forecasted to grow due to shifting consumer snacking preference from sweet snacks to savoury snacks as they contain less sugar, artificial sweeteners and flavourings, notably for nuts and seeds products. Furthermore, demand for these products is expected to be driven by urban millennials and the middle-class population in China, which is further motivated by rising affluence throughout the nation. As such, Ipsos expects these categories to grow at CAGRs of approximately 9.80% and 11.25% respectively from 2018 to 2022.

The total market revenue for the chips, nuts and seeds category of the savoury snacks segment in China, 2011 – 2022f
Value in RMB billion



Notes: The letter “f” denotes forecast figures;

Others include processed snacks and traditional snacks

Sources: Secondary research; Ipsos analysis

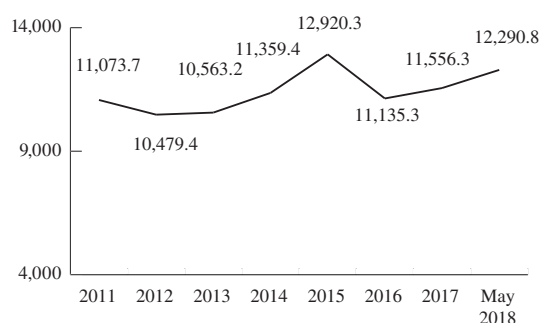
INDUSTRY OVERVIEW

OTHER RELATED MATTERS TO THE SNACKS INDUSTRY IN SINGAPORE AND MALAYSIA

Cost of raw material prices in Singapore and Malaysia

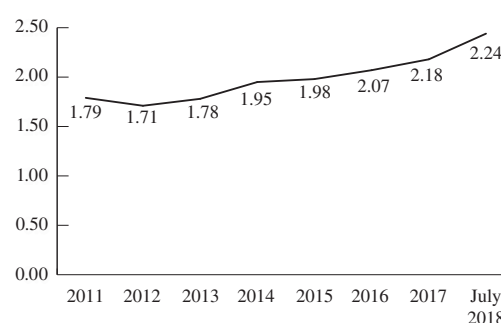
Raw material cost is a significant cost item for a snacks manufacturer, in which any substantial fluctuation in the cost may affect a manufacturer's cost of production or sales. In Singapore, average nut prices increased at a CAGR of approximately 0.11% from 2011 to 2016. In 2015, average nut prices experienced an increase of approximately 13.74% year-on-year, primarily attributed to drought conditions in the United States, which resulted in the harvest supply of nuts to be negatively affected within the same year. By the end of 2017, average nut prices stood at S\$11,556.3 per tonne, increasing year-on-year by 3.78% from 2016. In May 2018¹, average nut prices stood at approximately S\$12,290.8 per tonne. Average retail prices for potatoes grew at a CAGR of approximately 2.95% from 2011 to 2016. By the end of 2017, average retail prices registered at S\$2.18 per kilogram, an increase of 5.31% year-on-year from 2016. In July 2018², average retail prices for potatoes stood at approximately S\$2.24 per kilogram. In Malaysia, average retail prices for cassava grew at a CAGR of approximately 1.36% from 2011 to 2016. By the end of 2017, average retail prices registered at RM2.89 per kilogram and grew by 1.40% year-on-year from 2016. Average retail prices for cassava is forecasted to remain at RM2.89 per kilogram in 2018.

**Average nut prices, Singapore,
2011 – May 2018**
Value in S\$/tonne



Note: Prices are derived from the import prices using the average FOB rate
Sources: Trademap; Ipsos analysis

**Average retail prices for potatoes,
Singapore, 2011 – July 2018**
Value in S\$/kilogram



Note: Prices are derived from the average retail prices for potatoes in Singapore
Sources: SINGSTAT; Ipsos analysis

Average retail prices for cassava, Malaysia, 2011 – 2018f
Value in RM/kilogram



Note: Prices are derived from the average retail prices for cassava in Malaysia
Sources: DOSM; Ipsos analysis

¹ Latest information as of 21 September 2018

² Latest information as of 21 September 2018

INDUSTRY OVERVIEW

Average monthly wages for workers in the manufacturing industry in Singapore and Malaysia³

On average, monthly basic wages for local workers in the manufacturing industry in Singapore increased by a CAGR of approximately 3.2%, reflecting the shortage in local workforce in the manufacturing of snacks industry. Monthly gross wages for local workers on the other hand increased by a CAGR of approximately 6.5%. Following similar trends of the monthly basic and gross wages paid over the past five years, monthly basic and gross wages for local workforce is estimated to be approximately S\$1,800 and S\$2,450 respectively in 2017.

In Malaysia, on average, the monthly basic wages for local workers in the manufacturing industry in Malaysia increased by a CAGR of approximately 6.6%. Following similar trends over the past five years, the monthly basic wages for local workers in the manufacturing industry in Malaysia is estimated to be approximately RM2,269 in 2017⁴.

Average monthly basic and gross monthly wages for local workforce in the manufacturing industry, Singapore, 2011 – 2017
Value in S\$



Sources: MOM; SINGSTAT; Ipsos analysis

Average basic monthly wages for workers in the manufacturing industry in Malaysia, 2011 – 2017
Value in RM



Sources: DOSM; Ipsos analysis

Industry structure and value chain

The snacks industry is classified under the manufacturing (i.e. food manufacturing) sector in most countries, therefore the structure of its value chain is typically the same across all other food manufacturing sectors. Suppliers in the food manufacturing value chain are responsible for providing any related raw materials to the food manufacturers along the value chain. Food manufacturers will process the raw materials to edible food products. Manufacturers are also sometimes responsible to market and advertise the processed products. Final edible food products will then be sold on a wholesale basis to end customers such as supermarkets, hotels and other establishments. Manufacturers at times also engage distributors for export markets as they may have better expertise and knowledge of the target local markets.

³ Workers in the snacks industry generally fall under the general manufacturing workers' category in the manufacturing industry for Singapore and Malaysia. As such, changes in the monthly basic and gross wages for general manufacturing workers are representative of changes in wages for the snacks industry workers in Singapore and Malaysia.

⁴ Latest information available

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE SNACKS INDUSTRY IN SINGAPORE, MALAYSIA AND CHINA

Singapore

In 2017, the total market value of the snacks industry in Singapore was valued at approximately S\$2.0 billion. The company's sales revenue to Singapore recorded at approximately S\$32.85 million for the same period. As such, the Group's market share was estimated to be approximately 1.6% of the total snacks industry market value by the end of 2017.

As at 22 June 2018, there were more than 350 number of players or establishments classified under the snacks manufacturing related segments in Singapore. As such, to estimate the market ranking of our Company compared to other comparable companies in the snacks industry, a consolidation of metrics was used including: (a) establishments with similar business activities as the company (i.e. companies that are also savoury snack producers); (b) establishments with similar business segments (i.e. companies that are also chips, nuts and seeds snack producers); (c) the estimated ranking provided by establishments during the course of interviews conducted by Ipsos (if available); (d) total revenue indication (if available); (e) the research results from various industry reports, annual reports and news articles; and (f) the research results from various databases such as the Accounting and Corporate Regulatory Authority of Singapore (ACRA). Based on Ipsos findings, three other comparable companies (excluding our Company) were identified for market ranking comparison purposes in Singapore.

Key snacks manufacturers or establishments in Singapore, 2017²

Rank	Snack manufacturers or establishments	Products and Services	Approximate market share (%)	Gross profit margin (%)
1	Comparable i	Distributor of sweet and savoury snacks	1.68%	40.7%
2	Our Group	A snack product manufacturer primarily focused on the production, packaging and sale of nuts and chips	1.62%	24.5%
3	Comparable ii	A snack product manufacturer primarily focused on the production and sale of nuts, seeds, dried fruits and other savoury snack products	1.27%	21.9%
	Others		95.43%	

Sources: Secondary research; Published reports; Ipsos interviews; Ipsos analysis

Notes:

- i. The revenues of comparable companies above are computed and segmented with weightage assumptions based on Ipsos analysis, whereby a certain percentage of the selected company's total revenue is applied to represent the related snack sales revenue of the comparable company in Singapore.
- ii. Gross profit margins (GMs) depicted in the table represent GM for the entire business portfolio of the companies (and not segmented).
- iii. Gross profit margins may differ from one organisation to another, largely dependent on the following factors: a) production and product complexity; b) product customisation (where applicable and necessary for customers); c) suppliers' product quality, production capacity and schedule to fulfil customers' requirements; and d) the general customer and supplier landscape of the industry. As such, it is not uncommon that participants in the market may have different range of gross profit margins at a particular time as these companies may not carry out activities that are entirely similar to one another. Therefore, based on Ipsos' analysis and comparison with the comparable companies above, the gross profit margin of the Group (i.e. ranged above 20% during the Track Record Period) is considered reasonable.
- iv. Comparable i is a wholly-owned subsidiary of a company listed on the Nasdaq stock market with a market capitalisation of approximately US\$172.1 billion as at 30 November 2018.
- v. Comparable ii is a private company limited by shares.

² Total sum may differ due to variance in rounding of decimals

INDUSTRY OVERVIEW

Malaysia

In 2017, the total market value of the snacks industry in Malaysia was valued at approximately RM6.3 billion. The company's sales revenue to Malaysia recorded at approximately RM40.9 million for the same period. As such, the Group's market share was estimated to be approximately 0.65% of the total snacks industry market value by the end of 2017.

As at 22 June 2018, there were more than 500 number of players or establishments related to snacks manufacturing related segments in Malaysia. To estimate the market ranking of our Company compared to other comparable companies in the snacks industry, similar metrics were used to determine these comparable and based on Ipsos findings, seven other comparable companies (excluding our Company) were identified for market ranking comparison purposes in Malaysia.

Key snacks manufacturers or establishments in Malaysia, 2017⁴

Rank	Snack manufacturers or establishments	Products and Services	Approximate market share (%)
1	Comparable i	Manufacturer and producer of sweet and savoury snacks. Products include dry noodle snack, potato chips and etc.	12.55%
2	Comparable ii	Manufacturer and distributor of snacks. Products include corn-, flour- and potato-based snacks.	7.21%
3	Comparable iii	Manufacturer of snacks and confectionaries. Products include cake, corn-based snacks, crackers, potato chips etc.	3.75%
4	Comparable iv	Manufacturer of sweet and savoury snacks. Products include biscuits (cracker, cream sandwich biscuits, assorted biscuits, cookies and other series); beverage and other (rice crackers, and others).	3.46%
5	Comparable v	Manufacturer of snacks. Products include flour- and corn-based snacks.	1.38%
6	Comparable vi	A snack product manufacturer primarily focused on the production and sale of nuts, seeds, dried fruits and other savoury snack products.	1.30%
7	The Group	A snack product manufacturer primarily focused on the production, packaging and sale of nuts and chips.	0.65%
	Others		69.71%

Sources: Secondary research; Published reports; Ipsos interviews; Ipsos analysis

⁴ Total sum may differ due to variance in rounding of decimals

INDUSTRY OVERVIEW

Notes:

- i. Comparable i, v and vi are private limited companies.
- ii. Comparable ii is a wholly-owned subsidiary of a company listed on the Nasdaq stock market with a market capitalisation of approximately US\$65.4 billion as at 30 November 2018.
- iii. Comparable iii is wholly-owned subsidiary of a company listed on the Bursa Stock Exchange with a market capitalisation of approximately RM166.8 million as at 30 November 2018.
- iv. Comparable iv is a wholly-owned subsidiary of a company listed on the Bursa Stock Exchange with a market capitalisation of approximately RM824.0 million as at 30 November 2018.

China

As at 22 June 2018, there are approximately 4,000⁵ companies that are involved in the manufacturing of savoury and sweet snacks in China. Several key industry players in China were identified via a consolidation of metrics including: (a) establishments with principal business activities in savoury and/or sweet snack manufacturing; (b) total revenue indication (if available); (c) the research results from various industry reports, annual reports and news articles; (d) the research results from various databases. Based on Ipsos' findings, seven key active industry players in China were identified and described in the table below⁶.

Key active snacks manufacturers or establishments in China, 2017⁷

Snack manufacturers or establishments	Products and Services	Approximate market share (%)
Key active player 1	Producer and distributor of beverages and snack foods such as rice crackers and gummies.	10.36%
Key active player 2	Manufacturer of food and beverage products, including cakes, puffed potato products, biscuits, herbal tea, protein drinks and functional beverages.	8.26%
Key active player 3*	A snack product manufacturer primarily focused on the production and sales of nuts, corns, fruits, fruit peels, fruit products and dried and processed tea.	2.86%
Key active player 4	Snack product brand that manufactures nuts, roasted seeds, healthy drinks and preserved plums, preserved fruits seafood snacks, vegetarian snacks etc.	2.26%
Key active player 5*	A snack manufacturer that produces roasted seeds and nuts, spicy sticks, dried fruit, cakes, etc.	1.70%
Key active player 6	Producer and distributor of nuts and roasted foods such as sunflower seeds, watermelon seeds, beans, pumpkin seeds, pistachios, walnuts, almonds and other nut products.	1.50%
Key active player 7	Manufacturer and distributor of bakery foods such as cookies, breads, pretzels and other dry bakery products.	0.50%
Others		72.57%

Sources: Secondary research; Published reports; Ipsos analysis

⁵ Estimation is based on data from the National Bureau of Statistics of China (NBS) which only registers industrial enterprises with annual revenues of over RMB20 million. As such, this number only refers to companies with annual revenues of over RMB20 million.

⁶ The company's revenue was not material as compared to the market value of the snacks industry in China

⁷ Total sum may differ due to variance in rounding of decimals

INDUSTRY OVERVIEW

Notes:

- i. The ‘**’ indicates companies that primarily focus on the manufacture and distribution of savoury snacks, such as nuts and seeds. The revenues of comparable companies above are computed and segmented with weightage assumptions based on Ipsos analysis, whereby a certain percentage of the selected company’s total revenue is applied to represent the related snack sales revenue of the comparable company.
- ii. Key active player 1 is a public company listed on the Hong Kong Stock Exchange with a market capitalisation of approximately HK\$71.8 billion as at 30 November 2018.
- iii. Key active player 2 is a public company listed on the Hong Kong Stock Exchange with a market capitalisation of approximately HK\$79.0 billion as at 30 November 2018.
- iv. Key active player 3 and 4 are private companies limited by shares.
- v. Key active player 5 is wholly-owned subsidiary of a company listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB4.1 billion as at 30 November 2018.
- vi. Key active player 6 is a public company listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB9.3 billion as at 30 November 2018.
- vii. Key active player 7 is a public company listed on the Hong Kong Stock Exchange with a market capitalisation of approximately HKD726.3 million as at 30 November 2018.

THE SNACKS INDUSTRY PROSPECTS IN SINGAPORE, MALAYSIA AND CHINA

Market drivers

The rise and demand for less sugary and portable size snacks

Demand for snack products with less sugar, artificial sweeteners and flavourings such as savoury snacks over the years has seen stronger growth in terms of revenue for Singapore, Malaysia and China as consumers strive to eat better. As such, manufacturers are now looking for innovative ways to manufacture their food products to stand out as to acquire the attention of consumers, such as making claims that their products contain less sugar and artificial flavourings. Further, the demand for more snacking options has also transformed many sections of the food and grocery markets, of which snacks are now offered in a variety of choices and convenient packaging. Such continued interest in simple and portable snacks has also made some categories successful (e.g. fruits, nuts and seeds bars). As such, the rise and demand for portable size snack products with less sugar, artificial sweeteners and flavourings will drive demand for growth in the snacks industry in Singapore, Malaysia and China as a whole.

E-commerce platforms are expected to drive demand for snack product purchases

The rise of e-commerce platforms in recent years has been contributed by its many inherent advantages, including increased convenience over other retail channels, the ability to conduct purchases at any given time, wider access to products from local and international sources and competitive prices. The emergence of these platforms has also been fuelled by an increasingly digitalised society, a trend currently being experienced both in Singapore and Malaysia as more of these nations' populations gain access to the Internet. This has led to the existence of numerous online grocery shopping websites that offer direct delivery services to Singaporean and Malaysian households, particularly for customers living in major cities and urbanised areas. In the context of China, the e-commerce industry has a particularly strong foothold in China as it is home to some of the world's largest e-commerce players. In China, e-commerce has been an important platform for Chinese snack consumers to purchase both locally and internationally-made snacks due to high levels of accessibility and convenient access to a wide selection of snack products. The platform also serves as a less costly channel for foreign snack companies to sell their products in China, thus encouraging more international players to enter and make their presence known within the Chinese snack market. Furthermore, the growth of the platform is contributed by urban millennials, which form a sizeable portion of snack buyers, who are more comfortable in dealing with online retail channels over brick-and-mortar stores. As such, the increasingly important role that e-commerce plays within the snacks industry, and globally across a variety of industries, will drive the demand for the snacks industry in Singapore, Malaysia and China for the foreseeable future to come.

Growth of chip products within the snacks industry

As consumer snacking habits are shifting away from sweet snacks that are high in sugar content, demand for chip products, notably potato and tortilla chips, are expected to increase in tandem with the overall savoury snacks segment in Singapore, Malaysia and China. Potato and tortilla chips are made from ingredients, such as potato, wheat and corn, and generally contain less sugar, artificial sweeteners and flavourings as compared to sweet snacks. In addition, chip products can generally be offered in differing flavours and packaging sizes, allowing the products to cater to a wider range of snack consumers with differing preferences. For tortilla chips, the chips became popular within the savoury snack market during the late 1990s, and has been gaining in momentum since to become the second most popular chip after potato chips within the savoury snack market. Notably, the chips can be consumed with a variety of dips, such as salsa, which adds flavour to the chips and provides a unique taste experience over other snack products. This serves as a key differentiating factor for tortilla chips over other snack products, contributing to its popularity within the savoury snacks segment and to urban millennials. As such, these factors are expected to bode well for the demand for chips products, such as potato and tortilla chips, and subsequently the savoury snacks segment in Singapore, Malaysia and China.

Entry barriers

Proven track record and relationship with consumers

Snack manufacturers or establishments with years of experience, building reliable product brand and skilled workforce are capable of handling emerging consumer demands for different types of snack products. Such experience and skilled workforce grew over the years with significant investments and management. In addition, product quality and the capability to maintain the standards of products produced over time (e.g. consistent texture, product taste, safe for consumption etc.) would be challenging to emulate and to provide to potential customers without sufficient industry experience. As such, newer industry players will have to compete against industry players who have mature company setup and networks and will likely not be able to develop solid manufacturing experiences and capabilities in a short period.

INDUSTRY OVERVIEW

Large capital investment required to be competitive with the current industry players

Established market players over the years have invested significantly in their fleet of machinery/equipment and their workers to sustain existing operations and initiate new ones. These would include investing in automated equipment or machines that can manage large production capacity of related food products. Newer industry players will less likely have the proper infrastructure, machinery/equipment, setup and adequate investments in place to compete with the currently established snack manufacturers or establishments and will find it difficult to procure contracts with potential customers or gain consumer's trust in the industry.

Potential challenges

Regional competition and global economic headwinds

Although the manufacturing industries in Singapore and Malaysia are known to be one of the best manufacturing hubs in Asia, their positions are subsequently threatened by the growth and entry of other manufacturing hubs and companies from countries like Indonesia. As such, Singapore and Malaysia's manufacturing industries are constantly adapting to competition not only from local but foreign companies at large. Further, the manufacturing sectors in both countries continue to face unprecedented challenges amid global headwinds, thus resulting in many companies in Singapore and Malaysia reluctant to change their current operations to maintain their status quo. As such regional competition and global economic challenges and headwinds will continue to post potential challenges for the manufacturing industries in both countries, therefore indirectly affecting the food manufacturing industries as well.

Strict food safety regulations, laws and policies in the People's Republic of China (PRC)

The Chinese government implements strict food safety regulations, policies and standards to ensure the healthy development of the food sector, with added efforts being observed across the nation ever since the scandal regarding tainted infant milk in 2008. Various key bodies including the China Food and Drug Administration (CFDA), Commission on Food Safety of the State Council, and State Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) all play important roles in ensuring that food products in China comply with Chinese national food standards. As such, these regulations, laws and policies all contribute to a strict regulatory landscape for food products in China and will pose as a challenge for many snack producers that intend to enter the snack industry.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report or the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

REGULATORY OVERVIEW

This section of the prospectus contains a summary of certain laws and regulations in Singapore and Malaysia currently relevant to our Group's operations and our industry.

SINGAPORE

Sale of Food Act

The objectives of the Sale of Food Act (Chapter 283 of Singapore) ("**Sale of Food Act**") are, *inter alia*, to regulate food to ensure that food for sale is safe and suitable for human consumption. The Agri-Food & Veterinary Authority of Singapore (the "**AVA**") is responsible for the administration and enforcement of the Sale of Food Act. Section 19 of the Sale of Food Act provides that it is an offence to sell any food which is manufactured, prepared, preserved, packaged or stored under insanitary conditions. A "food business" means a business that involves, *inter alia*, the handling of food intended for sale or the sale of food. Section 21 of the Sale of Food Act requires any person who carries on a non-retail food business to obtain a licence ("**Non-Retail Food Licence**")¹ from the Director-General of the AVA. Under Section 2F of the Sale of Food Act, a "non-retail food business" means a food business that is not carried out for a purpose specified in the First Schedule to the Environmental Public Health Act (Chapter 95 of Singapore) and not a primary food production business, but includes an operator of a warehouse for the storage of food intended for sale.

Regulation 5 of the Sale of Food (Non-Retail Food Business) Regulations ("**SFR**")² requires a licensee holding a Non-Retail Food Licence to exhibit such licence in a conspicuous position within the licensed food establishment. The SFR also provides that a licensee holding a Non-Retail Food Licence must adhere to certain requirements, including ensuring that food is stored in such a way that it is protected from the likelihood of contamination and the environmental conditions under which it is stored will not adversely affect the safety and suitability of the food pursuant to Regulation 8 of the SFR, and maintaining prescribed standards of personal cleanliness in relation to persons who are engaged in the preparation of food pursuant to Regulation 12 of the SFR. Regulation 5 of the Food Regulations (Cap. 283, Rg1) ("**Food Regulations**") provides that no person may import, advertise, manufacture, sell, consign or deliver any prepacked food if the package of pre-packed food does not bear a label containing all the particulars required by the Food Regulations. Further, it is an offence to import, sell, consign or deliver any pre-packed food with an expired date mark. Regulation 9 of the SFR requires every licensee of a Non-Retail Food Licence to ensure that food is packed: (i) with packing material that is fit for its intended use; (ii) with material that is not likely to contaminate the food; and (iii) with care to prevent any contamination during the packaging process.

TSS has obtained a Licence to Operate a Food Establishment³ which is valid until 30 June 2019 for the purpose of packing snack food products at our storage facility and warehouse at 255, Pandan Loop, Singapore 128433.

Notes:

¹ Prior to the amendment of the Sale of Food Act with effect from 1 February 2018 (the "**Previous Sale of Food Act**"), any person operating or using a food establishment must obtain a licence from the Director-General of the AVA.

² The SFR replaced the Sale of Food (Food Establishments) Regulations 2002 (the "**SFR 2002**") with effect from 1 February 2018.

³ This licence was issued under the Previous Sale of Food Act and the SFR 2002.

Grading of food establishments

The AVA conducts annual on-site audit assessments on AVA-licensed local food establishments to determine their grading status and provide on-site advice to help them improve and upgrade their premises. All licensed food establishments in Singapore are assessed and categorised into four grades: A (Excellent), B (Good), C (Average) and D (Pass) based on the following areas of assessment: (i) premises (general cleanliness and housekeeping); (ii) food storage; (iii) food processing equipment and facilities; (iv) pest control program; (v) food handling and staff facilities; (vi) product identification and traceability; (vii) dispatch & transport; (viii) product inspection and lab testing; (ix) foreign body control; (x) rework; (xi) management of allergen; (xii) implementation of quality control programs; (xiii) staff competency and food hygiene training; (xiv) documentation and records; and (xv) violation records.

As at the Latest Practicable Date, our storage facility and warehouse at 255, Pandan Loop, Singapore 128433 has attained the A (Excellent) grade under the AVA's grading system.

Regulation of Imports and Exports Act

Section 3(2)(k) of the Regulation of Imports and Exports Act (Chapter 272A of Singapore) (“**RIEA**”) states that the Minister of Trade and Industry Singapore may make regulations for the registration of importers, exporters, common carriers of goods or any person making a declaration under the RIEA or any regulations made thereunder. In addition, Section 35B of the Regulation of Imports and Exports Regulations states that the Director-General of Customs may register any person who is an importer, exporter, shipping agent, air cargo agent, freight forwarder or common carrier who is not a declaring entity and whom the Director-General of Customs deems necessary or expedient to be registered. TSS has been registered with the AVA as an importer of processed food, and such registration is valid until 31 July 2019.

In accordance with the above, importers of processed foods are required to first register with the AVA. Once the importer has been registered with the AVA to import processed foods, the importer must then obtain a permit for the import of processed food. Upon approval by the Singapore Customs and the AVA, the importer will be issued a cargo clearance permit which also serves as an AVA import permit. Importers must ensure that the food products imported for sale in Singapore comply with the food standards and labeling requirements stipulated in the Food Regulations. All food consignments are subject to inspection. Some samples may also be taken by the AVA for laboratory analysis. In some cases, consignments may be placed on “hold and test” which means the importer's consignment cannot be sold or distributed until the laboratory results have been released and the sample found compliant with Singapore food laws.

Electronic Transactions Act

The Electronic Transactions Act (Chapter 88 of Singapore) (“**ETA**”) is intended to promote the development of the legal and business infrastructure necessary to implement secure electronic commerce. Section 11 of the ETA provides that in the context of the formation of contracts, an offer and the acceptance of an offer may be expressed by means of electronic communications. Section 18 of the ETA provides that if, through the application of a specified security procedure, or a commercially reasonable security procedure agreed to by the parties involved, it can be verified that an electronic signature was, at the time it was made: (i) unique to the person using it; (ii) capable of identifying such person; (iii) created in a manner or using a means under the sole control of the person using it; and (iv) linked to the electronic record to which it relates in a manner such that if the record was changed the electronic signature would be invalidated, such signature shall be treated as a secure electronic signature. Section 28 of the ETA also prescribes certain confidentiality obligations whereby no person shall disclose any information which has been obtained by him in the performance of his duties or the exercise of his powers under the ETA unless such disclosure is made, *inter alia*, with the permission of the person from whom the information was obtained.

REGULATORY OVERVIEW

Computer Misuse Act

Pursuant to Part II of the Computer Misuse Act (Chapter 50A of Singapore) (“**CMCA**”), it is an offence to, *inter alia*, gain unauthorised access to computer material, gain access with the intent to commit or facilitate the commission of an offence, cause unauthorised modification of computer material or supply personal information obtained in contravention of certain provisions of the CMCA. A person convicted of such offence shall be liable to a fine or to an imprisonment term or both.

Spam Control Act

Section 11 of the Spam Control Act (Chapter 311A of Singapore) (“**SCA**”) provides that any person who sends, causes to be sent or authorises the sending of unsolicited commercial electronic messages in bulk shall comply with the requirements in the Second Schedule of the SCA which include, *inter alia*, the requirement to include an electronic mail address or mobile telephone number to which the recipient may submit an unsubscribe request. Such information must be presented in a clear and conspicuous manner in, *inter alia*, the English language. Where a recipient submits an unsubscribe request, no further unsolicited commercial electronic messages shall be sent after the expiration of ten business days after the day on which the unsubscribe request is submitted.

Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A of Singapore) (“**WSHA**”) provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. The WSHA is applicable to, among other things, premises within which persons are employed in the handling, sorting, packing, storing, altering, repairing, construction, processing or manufacturing of any goods or product. The relevant regulatory body is the Ministry of Manpower (“**MOM**”). Pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 (the “**WSH Factories Regulations**”), any person who desires to occupy or use any premises as a factory falling within any of the classes of factories described in Part I or II but not Part III of the First Schedule of the WSH Factories Regulations must apply to the Commissioner for Workplace Safety and Health (“**CWSH**”) to register the premises as a “factory” at least one month before the factory starts operations. Under Regulation 5 of the WSH Factories Regulations, any person who desires to occupy or use any premises as a factory not falling within any of the classes of factories described in Part I, II or III of the First Schedule of the WSH Factories Regulations must, before the commencement of operation of the factory, submit a notification to the CWSH informing the CWSH of his intention to occupy or use those premises as a factory. As our storage facility and warehouse at 255, Pandan Loop, Singapore 128433 does not fall within any of the classes of factories described in Part I, II or III of the First Schedule of the WSH Factories Regulations, a notification to the CWSH informing the CWSH of our intention to occupy or use the premises as a factory will suffice. We have submitted the relevant notification to the CWSH and such notification has been approved on 31 May 2018.

Employment Act

The Employment Act (Chapter 91 of Singapore) (“**Employment Act**”) is the main legislation governing employment in Singapore. The Employment Act covers every employee who is under a contract of service with an employer but does not include, *inter alia*, any person employed in a managerial or executive position with a monthly basic salary of more than S\$4,500 (subject to the exceptions set out below). Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and applies to: (i) workmen earning basic monthly salaries of not more than S\$4,500; and (ii) employees (excluding workmen) earning basic monthly salaries of not more than S\$2,500. Part IV of the Employment Act does not cover all managers or executives. Part X of the Employment Act provides that paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels. Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding S\$4,500 shall be regarded as an employee for the purposes of provisions in the Employment Act except for the provisions of Part IV of the Employment Act.

Following the amendments to the Employment Act in effect from 1 April 2016, all employers must issue key employment terms (“**KETs**”) in writing to employees covered under the Employment Act. Such employees include employees who: (i) enter into a contract of service with the company on or after 1 April 2016; (ii) are covered by the Employment Act; and (iii) are employed for a continuous period of 14 days or more in relation to the length of contract. KETs include, *inter alia*, full names of employer and employee, job title, main duties and responsibilities, start date of employment, duration of employment (if employee is on a fixed-term contract), daily working hours, number of working days per week and rest days, basic salary, fixed allowances, fixed deductions, overtime pay, leave, medical benefits, probation period and notice period. KETs which are not applicable to specific employees may be excluded from their contracts.

Employment of Foreign Manpower Act

Work Passes

The policies and regulations relating to the employment of foreign employees and manpower are set out, *inter alia*, under the Employment of Foreign Manpower Act (Chapter 91A of Singapore) (“**EFMA**”). The Employment of Foreign Manpower (Work Passes) Regulations 2012 (“**EFMR**”) prescribes that the categories of work passes include, among other things, a work permit, an S pass, an employment pass and letter of consent. Section 5 of the EFMA provides that no person may employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes the section shall be guilty of an offence and shall: (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, in the case of an individual be punished with imprisonment for a term of not less than one month and not more than 12 months and also be liable to a fine not less than S\$10,000 and not more than S\$30,000 and in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

Work Permit

A work permit is generally issued to foreign unskilled and semi-skilled workers. The duration of a work permit is generally two years, subject to the validity of the worker’s passport, the security bond and the worker’s employment period, whichever is shorter. The worker is only allowed to work for the employer and in the specified occupation. Employers are required to, *inter alia*, ensure that their workers holding work permits have acceptable accommodation and buy and maintain medical insurance for each worker to cover in-patient care and surgery costs of at least S\$15,000 per year for each worker.

REGULATORY OVERVIEW

In order to employ foreign employees for the manufacturing sector, specific requirements for business activity, worker's source country or region, quota and levy must be met. In order to be classified as being in the manufacturing sector, a food processing company should have the relevant AVA licences. Foreign employees holding work permits may only be sourced from Malaysia, the PRC, Hong Kong, Macau, South Korea and Taiwan. The minimum age for all non-domestic foreign employees is 18 years old. When applying for a work permit, Malaysians must be below 58 years old and non-Malaysians must be below 50 years old. In the manufacturing sector, for each non-Malaysian worker whom we were successfully granted with a work permit, a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to the Controller of Work Passes under the EFMA. The security bond must be furnished prior to the foreign employee's arrival in Singapore, failing which entry into Singapore will not be allowed. Malaysian workers are exempt from the above requirement of furnishing a security bond.

S Pass

An S pass is generally issued to eligible mid-skilled foreign employees who have a fixed monthly salary of at least S\$2,200 and are degree or diploma holders. The duration of an S pass is up to two years and is renewable. An application for an S pass is open to all nationalities. Employers are required to, *inter alia*, buy and maintain medical insurance for each worker holding an S pass. The insurance coverage must be at least S\$15,000 per year and cover inpatient care and day surgery.

Letter of Consent

To be eligible for a letter of consent, a foreign employee needs to be one of the following: (a) a dependant's pass ("DP") holder who is a dependant of an employment pass, EntrePass or personalised employment pass holder; (b) a long term visit pass ("LTVP") or a long term visit plus pass ("LTVP+") holder who is married to a Singapore citizen or permanent resident; or (c) an unmarried child (under 21 years old) of a Singapore citizen or permanent resident who holds a LTVP. The DP, LTVP or LTVP+ has to be valid for at least three months, and such individual must have a job offer with a Singapore employer. The letter of consent ceases to be valid when the DP, LTVP or LTVP+ is cancelled or expires, or such individual is no longer employed by his employer.

As at the Latest Practicable Date, we had 16 foreign employees in Singapore, of which 1 holds a letter of consent, one holds an S pass, 12 hold a work permit and two have been granted in-principle approval from the MOM pending the formal issuance of their work permits (validly sourced from Malaysia). Please refer to the section headed "Business – Employees" in this prospectus for further details.

Quota and levy rates

The dependency ratio ceiling for the manufacturing industry is currently set at one local full time employee to one-and-a-half foreign employees. Therefore, for every two local employees in the manufacturing sector, a company may hire a maximum of three foreign employees. From 1 July 2018, a Singaporean or Permanent Resident employee employed under a contract of service, including the company's director, is considered full-time if they earn at least \$1,200 per month and is considered part-time if they earn \$600 to below \$1,200 per month. Two part-time employees count as one full-time employee.

REGULATORY OVERVIEW

The manufacturing industry is further subject to different sub-quotas: (i) sub-quota for foreign employees from the PRC; and (ii) sub-quota for foreign employees under each different levy tier.

(i) Sub-quota for foreign employees from the PRC

For workers from the PRC, the sub-quota is calculated using the following formula: $25\% \times (\text{company's total workforce} + 1)$.

As at the Latest Practicable Date, based on information obtained from MOM, TSS can employ an additional 55 foreign employees who are work permit or S pass holders.

(ii) Foreign employees under each different levy tier

Levy Tiers	Manufacturing Sector
Tier 1	$T1 = 25\% \times \text{total workforce}$
Tier 2	$T2 = (50\% \times \text{total workforce}) - T1$
Tier 3	$T3 = \text{Actual number of foreign workers} - T1 - T2$

During the Track Record Period, TSS was subject to foreign employee levies under Tier 1.

Housing of foreign employees

In accordance with the EFMA, employers must ensure that their foreign workers live in proper housing, and provide the foreign workers' residential addresses to the MOM. There are various types of housing for foreign workers, including purpose-built dormitories, factory-converted dormitories, temporary occupation licence quarters and private residential premises ("PRPs"), each with its own set of requirements. An employer may house all types of foreign workers in PRPs and from 15 May 2017, a maximum of six occupants is allowed per unit, regardless of the size of the unit. An employer must notify the MOM of the foreign workers' residential addresses within five days of such foreign workers moving in or out of the PRPs.

Work Injury Compensation Act

The Work Injury Compensation Act (Chapter 354 of Singapore) ("WICA") applies to all employees in all industries engaged under a contract of service or apprenticeship, regardless of their level of earnings and provides that the employer will be liable to pay compensation to them in accordance with the provisions of the WICA if personal injury by accident arising out of and in the course of their employment is caused to them. The WICA sets out, among other things, the amount of compensation such employees are entitled to and the method(s) of calculating such compensation. The relevant regulatory body is the MOM. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

An employee who has suffered an injury arising out of and in the course of his employment can choose to either: (a) submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or (b) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

REGULATORY OVERVIEW

Under Section 23 of WICA, every employer shall insure and maintain insurance under one or more approved policies with an insurer against all liabilities which he may incur under the provisions of WICA. TSS has obtained a certificate of insurance with QBE Insurance (Singapore) Pte Ltd in respect of its liabilities under WICA which expires on 30 June 2019.

During the Track Record Period and up to the Latest Practicable Date, there were no incidents of workplace injury and there were no claims against our Group.

Environmental Public Health Act

The Environmental Public Health Act (Chapter 95 of Singapore) (“**EPHA**”) regulates, among others, the disposal and treatment of industrial waste and public nuisances. Under Section 45(1) of the EPHA, the Director-General of Public Health may, if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance the nuisance arises or continue, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the Ministry of Environment and/or its statutory board, the National Environment Agency (“**NEA**”), under Section 44 of the EPHA include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

Environmental Protection and Management Act

The Environmental Protection and Management Act (Chapter 94A of Singapore) (“**EPMA**”) relates to environmental pollution control, and seeks to provide for the protection and management of the environment and resource conservation. It is an offence under Section 17 of the EPMA to discharge, or cause or permit to be discharged, any toxic substance or hazardous substance into any inland water so as to be likely to cause pollution of the environment. The relevant regulatory body is the NEA.

Central Provident Fund Act

The CPF system is a mandatory social security savings scheme funded by contributions from employers and employees. Pursuant to the Central Provident Fund Act (Chapter 36 of Singapore), an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). CPF contributions are not applicable for foreigners who hold employment passes, S passes or work permits. CPF contributions are required for both ordinary wages and additional wages (subject to a yearly additional wage ceiling) of employees at the applicable prescribed rates which are dependent on, *inter alia*, the amount of monthly wages and the age of the employee. An employer must pay both the employer’s and employee’s share of the monthly CPF contribution. However, an employer can recover the employee’s share of CPF contributions by deducting it from their wages when the contributions are paid for that month.

Personal Data Protection Act 2012

The main data protection rules in the Personal Data Protection Act 2012 (the “**PDPA**”) came into full effect on 2 July 2014. The PDPA governs the collection, use and disclosure of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider appropriate in the circumstances. Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access. Generally, the PDPA imposes the following obligations on organisations collecting, using or disclosing personal data of individuals (“relevant persons”): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Special Employment Credit

The Special Employment Credit (the “**SEC**”) was introduced as a budget initiative in 2011 to support employers, and to raise the employability of older Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers and persons with disabilities.

From 2012 to 2016, employers who hire Singaporean employees aged above 50 earning up to S\$4,000 a month receive SEC of up to 8% of the employee’s monthly wages. As announced at Budget 2016, the SEC will be extended for three years (viz. 1 January 2017 to 31 December 2019) to continue providing a wage-offset to employers hiring Singaporean workers aged 55 and above, and earning up to S\$4,000.

Wage Credit Scheme

Under the Wage Credit Scheme (the “**WCS**”) introduced at Budget 2013 and extended at Budget 2015, the Singapore government co-funded 40% of wage increases from 2013-2015 and 20% of wage increases from 2016-2017 given to Singapore citizen employees up to a gross monthly wage of S\$4,000. At Budget 2018, it was announced that the WCS will be extended for three more years, i.e. 2018, 2019 and 2020, to support businesses embarking on transformation efforts and encourage sharing of productivity gains with workers. Government co-funding will be maintained at 20% in 2018. Subsequently, the co-funding ratio will be stepped down to 15% in 2019 and 10% in 2020. In addition, gross monthly wage increases (at least S\$50) given in 2017, 2018 and 2019 by the same employer will continue to be co-funded at the respective levels of co-funding if they are sustained in 2018, 2019 and 2020.

Productivity and Innovation Credit Scheme

Under the Productivity and Innovation Credit Scheme (the “**PIC Scheme**”), businesses enjoy 400% tax deductions or allowances for qualifying expenditure incurred in any of the six qualifying activities from the Years of Assessment 2011 to 2018. For Year of Assessment 2013 to 31 July 2016, eligible businesses can also exercise an irrevocable option to convert qualifying expenditure of up to S\$100,000 for each Year of Assessment into cash, at a conversion rate of 60%. For qualifying expenditure incurred on or after 1 August 2016, the cash payout conversion rate will be reduced from 60% to 40%. The PIC scheme will lapse after Year of Assessment 2018. Any expenditure incurred in the basis period for Year of Assessment 2019 will not qualify for cash payout.

Singapore Taxation

Corporate Tax

The prevailing corporate tax rate in Singapore is 17% with effect from Year of Assessment 2010. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income; and specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. Further, companies will be granted a corporate income tax rebate of 50% of the tax payable for the Years of Assessment 2016 and 2017, subject to a cap of S\$20,000 for Year of Assessment 2016 and S\$25,000 for Year of Assessment 2017. Companies will also be granted a corporate income tax rebate of 40% of the tax payable for Year of Assessment 2018, subject to a cap of S\$15,000 and 20% of tax payable for Year of Assessment 2019, subject to a cap of S\$10,000.

Dividend Distributions

One Tier Corporate Taxation System

Singapore adopts the one-tier corporate taxation system (the “**One-Tier System**”). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Withholding Taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Goods and Services Tax

The Goods and Services Tax in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

Transfer Pricing

Overview

Transfer pricing is the pricing of goods, services and intangibles between related parties. The arm's length principle should be adopted for transfer pricing between related parties. Taxpayers should prepare and keep contemporaneous transfer pricing documentation to show that their related party transactions are conducted at arm's length.

Arm's Length Principle

The Inland Revenue Authority of Singapore (“IRAS”) endorses the arm’s length principle as the standard to guide transfer pricing. It is an internationally accepted standard adopted for transfer pricing between related parties. IRAS subscribes to the principle that profits should be taxed where the real economic activities generating the profits are performed and where value is created. A proper application of the transfer pricing rules would ensure this outcome. Where the pricing of related party transactions is not at arm’s length and results in a reduced profit for the Singapore taxpayer, IRAS may adjust the profit of the Singapore taxpayer upward. The adjustment to reflect the arm’s length results may increase the amount of income or reduce the amount of deduction or loss of the Singapore taxpayer. The arm’s length principle requires that transfer prices between related parties are equivalent to prices that unrelated parties would have charged in the same or similar circumstances. It involves identifying situations or transactions undertaken by unrelated parties that are comparable to the situations or transactions between related parties. This is commonly known as “comparability analysis”.

IRAS recommends that taxpayers adopt the following 3-step approach to apply the arm’s length principle in their related party transactions: Step 1 – Conduct a comparability analysis; Step 2 – Identify the most appropriate transfer pricing method and tested party; and Step 3 – Determine the arm’s length results.

Transfer Pricing Documentation

Purpose of Preparing and Maintaining Transfer Pricing Documentation

Taxpayers should prepare and keep contemporaneous transfer pricing documentation. Transfer pricing documentation refers to the records kept by taxpayers to show that their related party transactions are conducted at arm’s length. The preparation and maintenance of transfer pricing documentation will facilitate reviews by tax authorities and therefore help resolve any transfer pricing issues that may arise. Without transfer pricing documentation to show that the transfer prices are at arm’s length, taxpayers may not be able to deal with transfer pricing enforcement actions by tax authorities and double taxation arising from those actions.

Contemporaneous Documentation

Contemporaneous transfer pricing documentation refers to documentation and information that taxpayers have relied upon to determine the transfer price prior to or at the time of undertaking the transactions. IRAS will also accept transfer pricing documentation as contemporaneous when it has been prepared not later than the filing due date of the tax return for the financial year in which the transactions took place. In preparing contemporaneous transfer pricing documentation, a taxpayer must use the latest available information and data to establish its transfer pricing.

Transfer Pricing Documentation Requirements

With effect from the Year of Assessment 2019, taxpayers who have met certain conditions are required to prepare transfer pricing documentation under Section 34F of the Income Tax Act (Cap. 134) of Singapore (“ITA”) unless exemption for specified transactions applies. Taxpayers who are not required to prepare transfer pricing documentation under Section 34F of the ITA are nonetheless encouraged to do so to better manage their transfer pricing risks.

MALAYSIA

Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 (“**Industrial Co-ordination Act**”) requires a person engaging in a manufacturing activity to first obtain a manufacturing licence. Application may be made for one or more products manufactured in one or more places of manufacturing activity but a separate licence shall be issued for each place of manufacturing activity. When issued, the manufacturing licence will continue to be valid until revoked by the minister in charge. This licensing requirement only applies to companies with shareholders’ funds of RM2.5 million and above or employing 75 or more full-time paid employees.

Local Government Act 1976

Under the Local Government Act 1976, the local authorities are empowered to and have enacted, amongst others, the following trade and advertisement by-laws:

- (a) **Licensing of Trades, Businesses, and Industries (Johor Bahru City Council) By-Laws 2016** which provides that no person shall operate any activity of trade, business and industry or use any place or premises in Johor Bahru City Council (“**JBCC**”) for any activity of trade, business and industry without a licence issued by the JBCC.
- (b) **Licencing of Advertisement (Johor Bahru City Council) By-Laws 2010** which provides that no person shall exhibit or erect, or cause, direct or permit to be exhibited or erected, any advertisement without a licence issued by the JBCC.

Food Act 1983

The food industry in Malaysia is governed by the Food Act 1983 (“**Food Act**”) and its regulations to protect public against health hazards and fraud in the preparation, sale and use of food, and for matters incidental thereto or connected therewith. These legislations apply to all food sold in Malaysia, either locally produced or imported, covering a wide range of aspects from compositional standards to food additives, nutrient supplements, contaminants, packages, containers, food labelling, procedures for taking samples, food irradiation and penalties of non-compliance.

Under the Food Act, where any food is found to have contravened or reasonably suspected to have contravened any provision of the Food Act or any regulations made under the Food Act (e.g. food containing substances injurious to health, food unfit for human consumption or adulterated food), the director or any authorised officer authorised by the director may, by notice in writing, order to recall, remove or withdraw from sale such food from any food premises within such time as may be specified in the notice.

The Food Regulations 1985 (“**Food Regulations**”) provides that if the food contains ingredients known to cause hypersensitivity, the ingredients shall be declared on the label. The specific foods or ingredients known to cause hypersensitivity prescribed in the Food Regulations amongst others, include nut and nut products (including peanut and soybean) and fish and fish products.

Under the Food Hygiene Regulations 2009 (“**Food Hygiene Regulations**”), no person shall use any food premises specified in the First Schedule for the purposes of, or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabelling, reprocessing or reconditioning of any food except the premises is registered under the Food Hygiene Regulations. The food premises specified in the First Schedule amongst others, include all food premises involved in manufacturing of food.

REGULATORY OVERVIEW

Poisons Act 1952

Pursuant to Section 35 of the Poisons Act 1952, the sale, storage and use of sodium hydroxide are regulated by the Poisons (Sodium Hydroxide) Regulations 1962. Poisons (Sodium Hydroxide) Regulations 1962 provides that a permit to purchase, store and use of sodium hydroxide may be issued by the Director of Medical Services, or any licensing officer of the Medical Department authorised in writing by the Director of Medical Services. Such permit shall state the maximum quantity of sodium hydroxide that may be purchased and the purpose for which it is required, and shall expire on 31 December after the date of issue.

Customs Act 1967

Under the Customs Act 1967, the Minister of Finance of Malaysia has the power to prohibit the importation or exportation of certain goods absolutely or except under an import licence or export licence issued by the Director General of Customs and Excise or the proper officer of customs appointed by the Director General of Customs and Excise to act on his behalf at the ministry, department or statutory body as specified in the Customs (Prohibition of Imports) Order 2017 and the Customs (Prohibition of Exports) Order 2017 (“**Orders 2017**”).

Whether or not an import permit is required depends on the identity of the food being imported. Certain category of food products does not require import permit but may require health certificate, certificate of analysis, licence and/or special approval for importation. Under the Customs (Prohibition of Imports) Order 2017, the import of certain food products such as edible vegetables, fruit and nuts, and certain roots and tubers is subject to the approval of the Food Safety and Quality Division of the Ministry of Health of Malaysia (“**FSQD**”).

FSQD is responsible to ensure food imported into the country is safe and complies with the Food Act and its regulations. Food import control activity is supported by the Food Safety Information System of Malaysia (“**FOSIM**”), a network system that links up every entry point, food safety and quality laboratory, public health laboratory and headquarters to enhance the management of food import control. FOSIM interfaces with Customs Information System (“**CIS**”) allowing importers, agents and Ministry of Health Officials to manage food importation activities electronically using information technology and uses risk based approach in determining food safety hazard of imported food.

Importation of food must be registered with FOSIM. Each importer and forwarding agent who would like to import food must be first registered with FOSIM in order to clear the consignment once the foods have been declared to the Royal Malaysian Customs Department (RMCD) through CIS.

There are different requirements in exporting food according to different countries. The Director General of Quarantine and Inspection is empowered to register all importers, exporters and agents involved in the import and export of plants, animals, carcasses, fish, agricultural produce, soils and microorganisms and also to issue permits, licences and certificates for the purpose of the import and export of plants, animals, carcasses, fish, agricultural produce, soils and microorganisms under the Malaysian Quarantine and Inspection Services Act 2011.

Malaysian Quarantine and Inspection Services (Issuance of Permit, Licence and Certificate) Regulations 2013 provides that any person who intends to import or export any plant, animal, carcass, fish, agricultural produce, soil or microorganism shall apply for a permit, licence or certificate to import, or a permit or licence to export from the Director General of Quarantine and Inspection. An application for a permit, licence and certificate shall only be made after an applicant is registered as an importer, exporter or agent with the Director General of Quarantine and Inspection.

REGULATORY OVERVIEW

Factories and Machinery Act 1967

The Factories and Machinery Act 1967 (“**Factories and Machinery Act**”) provides for the control of factories with respect to matters relating to the safety, health and welfare of persons working in a factory and for matters connected therein.

Under the Factories and Machinery Act, an occupier of a factory has a duty to maintain the standards of safety, health and welfare of its factories and factory workers, and these includes provisions requiring the taking of precautions against fire, the proper maintenance of machinery, that every factory shall be kept in a clean state, the taking of effective and suitable provision for securing and maintaining adequate ventilation and that effective provision shall be made for securing and maintaining sufficient and suitable lighting and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries of Malaysia having jurisdiction for the area in which the accident or dangerous occurrence has taken place.

Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provides that the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power shall hold a valid certificate of fitness in respect thereof so long as such machinery remains in service.

Occupational Safety and Health Act 1994

Occupational Safety and Health Act 1994 (“**OSHA**”) also provides provisions for securing the safety, health and welfare of persons at work, for protecting others against the risks to safety or health in connection with the activities of persons at work and for matters connected therewith and applies throughout Malaysia to the industries specified in the OSHA where it includes the manufacturing industry.

Employers must as far as is practicable, ensure the safety, health and welfare at work of all the employees. It shall be the duty of the employer to prepare and as often as may be appropriate revise a written statement of its general policy with respect to the employees’ safety and health at work. The employer shall also notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

OSHA further requires every employer to establish a safety and health committee at the place of work if there are forty or more persons employed at the place of work; or the Director General of Occupational Safety and Health directs the establishment of such a committee at the place of work. The employer shall consult the safety and health committee with a view to the making and maintenance of arrangements which will enable him and his employees to co-operate effectively in promoting and developing measures to ensure the safety and health at the place of work of the employees, and in checking the effectiveness of such measures. Contravention of this requirement to establish a safety and health committee constitutes an offence, which, on conviction, be liable to monetary fine and/or imprisonment.

Fire Services Act 1988

The Fire Services Act 1988 (“**Fire Services Act**”) essentially contains provisions in law required for an effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks and for purposes connected therewith. In line with its general objective, the Fire Services Act requires every designated premises to obtain a fire certificate from the relevant authority. This fire certificate is renewable annually.

Fire Services (Fire Certificate) Regulations 2001 provides that a fire certificate issued under the Fire Services Act is not transferable. The application for the renewal of a fire certificate shall be made not less than thirty days before the date of expiry of the certificate.

REGULATORY OVERVIEW

Street, Drainage and Building Act 1974

The Street, Drainage and Building Act 1974 (“**SDBA**”) provides that a certificate of completion and compliance (“**CCC**”) (previously known as certificate of fitness for occupation (“**CF**”)) for any building shall be issued by a principal submitting person in accordance with the time, manner and procedure for the issuance thereof as prescribed under the SDBA or any by-laws made thereunder. “Principal submitting person” means a qualified person who submits building plans to the local authority for approval in accordance with the SDBA or any by-laws made thereunder and includes any other qualified person who takes over the duties and responsibilities of or acts for the first mentioned qualified person.

Under the SDBA, the state authorities are empowered to and Johor State Government has enacted the Johor Uniform Building By-Laws 1986 (“**By-Laws**”), which, amongst others, provides that a CCC shall be issued by the principal submitting person when the principal submitting person certifies in the prescribed form that he has supervised the erection and completion of the building and that to the best of his knowledge and belief the building has been constructed and completed in accordance with the SDBA, the By-Laws and the approved plans.

The By-Laws further provide that upon the issuance of the CCC, the principal submitting person accepts full responsibility for the issuance of the CCC and he or she certifies that the building is safe and fit for occupation.

As at the Latest Practicable Date, save as disclosed in the section headed “Business – Non-compliances” of this prospectus, our Group has obtained the following CF/CCCs for our owned premises located in Johor, Malaysia which certify that the buildings or structures erected on the land comply with the building plans and are safe for occupation:

- (a) CCC dated 10 March 2008 for the premises located at No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor;
- (b) CF dated 12 August 1999 for the premises located at No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor; and
- (c) CCC dated 20 October 2016 for the premises located at No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor.

Environmental Quality Act 1974

The Environmental Quality Act 1974 restricts the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment in contravention of the acceptable conditions specified by the Minister of Natural Resources and the Environment after consultation with the Environmental Quality Council unless licensed. The Department of Environment, Ministry of Energy, Science, Technology, Environment and Climate Change Malaysia (“**DOE**”) is responsible for ensuring sustainable development in the course of national development while ensuring a clean, healthy and safe environment for its people.

REGULATORY OVERVIEW

Environmental Quality (Industrial Effluent) Regulations 2009 applies to any premises which discharge or release industrial effluent or mixed effluent, onto or into any soil, or into inland waters or Malaysian waters, other than the premises as specified in the first schedule of Environmental Quality (Industrial Effluent) Regulations. An owner or occupier of a premises shall conduct any design and construction of the industrial effluent treatment system to collect and treat the industrial effluent or mixed effluent generated within the premises in strict compliance with the specifications as specified in the Guidance Document on the Design and Operation of Industrial Effluent Treatment System issued by the DOE. Any person may apply for a licence to contravene the acceptable conditions of discharge of industrial effluent or mixed effluent as specified in the Environmental Quality (Industrial Effluent) Regulations 2009.

Environmental Quality (Sewage) Regulations 2009 applies to any premises which discharge sewage onto or into any soil, or into any inland waters or Malaysian waters, other than any housing or commercial development or both having a population equivalent of less than one hundred and fifty. An owner or occupier of any premises shall operate and maintain a sewage treatment system in accordance with sound engineering practice for the treatment of sewage and ensure that all components of the sewage treatment system are in good working condition. An owner or occupier of premises may apply for a licence to contravene the acceptable conditions of sewage discharge as specified in the Environmental Quality (Sewage) Regulations 2009.

Malaysian Palm Oil Board Act 1998

The Malaysian Palm Oil Board Act 1998 empowers Malaysian Palm Oil Board (“**MPOB**”) to govern and regulate the palm oil business. Pursuant to Section 78 of the MPOB Act 1998, the palm oil licensed activities are regulated by the MPOB (Licensing) Regulations 2005. These regulations prescribe the procedures and the relevant forms for applications for licences to produce, sell, store, purchase, export or import of oil palm planting material, oil palm fruit, palm kernel cake and other palm oil produce.

Control of Supplies Act 1961

The Control of Supplies Act 1961 (“**Control of Supplies Act**”) governs the law on controlled articles in Malaysia. Among others, cooking oil, diesel fuel, wheat flour and sugar have been declared as scheduled articles under the Control of Supplies Act and the Control of Supplies Regulations 1974. Pursuant to the Control of Supplies Regulations 1974, a licence is required for any person to deal, be it wholesale or retail, in any scheduled article or to manufacture any scheduled article.

Lembaga Kemajuan Ikan Malaysia Act 1971

Under the Lembaga Kemajuan Ikan Malaysia Act 1971, Lembaga Kemajuan Ikan Malaysia has the power to regulate the marketing of fish particularly through licensing of wholesalers, retailers, fish processors, importers and exporters. “Fish” includes any of the varieties of marine, brackish water or fresh water fishes, crustacea, aquatic mollusca, marine sponges, trepang and other aquatic life and the products therefrom, but does not include turtles or their egg.

Land Public Transport Act 2010

The operation of commercial vehicles including trucks and trailers are governed by the Road Transport Act 1987 and Land Public Transport Act 2010. The Road Transport Act 1987 and Motor Vehicles (Periodic Inspection, Equipment and Inspection Standard) Rules 1995 require that all trucks, prime movers and trailers are required to undergo periodic inspection at a vehicle inspection center to ensure that all such vehicles comply with the statutory requirements as to construction, equipment and use of their respective class or category.

REGULATORY OVERVIEW

The Land Public Transport Commission, via the authority granted by the Land Public Transport Act 2010, controls the issuance of licences for operation of goods vehicles in Peninsular Malaysia. Under the Land Public Transport Act 2010, our Group is required to apply for an operator's licence to operate all trucks and trailers.

Employment Act 1955

Employment of employees is governed the Employment Act 1955 (“**Employment Act**”). The Employment Act provides minimum work requirements and benefits of employment, such as minimum working hours, overtime entitlement, leave entitlement, maternity protection and termination benefits. The Employment Act expressly provides that in the event of inconsistency between the terms contained in the employment and the minimum standards prescribed by the Employment Act, the more favourable terms will prevail and be enjoyed by the employees. The Employment Act applies only to employees earning monthly wages of not more than RM2,000 or to employees, irrespective of their monthly wages, who are engaged in manual labour, including artisan or apprentice, or who are engaged in the operation of maintenance of any mechanically propelled vehicles operated for the transport of passengers or goods or for commercial purposes, or who supervise or oversee other employees engaged in manual labour or who are engaged in any capacity in any vessel registered in Malaysian or who are engaged as a domestic servant.

In the event that an employee's contract does not adhere to the minimum standards prescribed by the Employment Act, the affected employee can lodge a complaint of non-compliance of the standards prescribed by the Employment Act to the Director General of Labour.

Further, except as provided in the Employment Act, an employee shall not be required under his contract of service to work (a) more than five consecutive hours without a period of leisure of not less than thirty minutes duration; (b) more than eight hours in one day; (c) in excess of a spread over period of ten hours in one day; and (d) more than forty-eight hours in one week.

The Director General of Labour may, on the written application of an employer, grant permission to the employer to enter into a contract of service with any one or more of his employees, or with any class, category or description of his employees, requiring the employee or employees, or the class, category or description of employees, as the case may be, to work in excess of the limit of hours prescribed above but subject to such conditions, if any, as the Director General of Labour may deem proper to impose, if he is satisfied that there are special circumstances pertaining to the business or undertaking of the employer which renders it necessary or expedient to grant such permission, provided that the Director General of Labour may at any time revoke the approval given under this subsection if he has reason to believe that it is expedient to do so.

The Employment Act further provides that for any overtime work carried out in excess of the normal hours of work, the employee shall be paid at a rate not less than one and half times his hourly rate of pay irrespective of the basis on which his rate of pay is fixed.

Any employer who fails to pay to any of his employees any overtime wages as provided under the Employment Act or any subsidiary legislation made thereunder commits an offence, and shall also, on conviction, be ordered by the court before which he is convicted to pay to the employee concerned the overtime wages due, and the amount of overtime wages so ordered by the court to be paid shall be recoverable as if it were a fine imposed by such court.

REGULATORY OVERVIEW

In so far as non-residents of Malaysia are concerned, their employment is further governed by the Employment (Restriction) Act 1968 (“**Employment (Restriction) Act**”) which imposes the requirement on a person not being a citizen to obtain a valid employment permit before he or she can be employed in any business in Malaysia or accept employment in any business in Malaysia. The Employment (Restriction) Act similarly prohibits a person from employing in Malaysia any person not being a citizen unless there has been issued in respect of that latter person a valid employment permit.

Any person who fails to comply with the abovementioned requirement of employment permit shall be guilty of an offence and shall on conviction be liable to monetary fine and/or imprisonment.

As at the Latest Practicable Date, we have 77 foreign employees in Malaysia.

Immigration Act 1959/63

Apart from the Employment (Restriction) Act, employers of non-residents are further subject to the provisions contained in the Immigration Act 1959/63 (“**Immigration Act**”), which prohibits the employment of one or more persons not in possession of valid pass or entry permit issued under the Immigration Act. The Immigration Act states that a person who employs one or more persons not in possession of valid pass or entry permit issued under the Immigration Act shall be guilty of an offence and shall, on conviction, be liable to monetary fines and/or imprisonment for each such employee.

Employees Provident Fund Act 1991

The Employees Provident Fund Act 1991 (“**Employees Provident Fund Act**”) which applies throughout Malaysia, provides for the law relating to a scheme of savings for employees’ retirement and the management of the savings for the retirement purposes and matters incidental thereto. Pursuant to the Employees Provident Fund Act, both the employer and employee are to make contributions into the employee’s individual account in the Employees Provident Fund (“**EPF**”). The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee.

Sales Tax Act 2018

Sales tax was implemented in Malaysia pursuant to the Sales Tax Act 2018 with effect from 1 September 2018 to replace the Goods and Services Tax Act 2014 (“**GST Act**”). The sales tax is a single-stage tax levied on all locally manufactured and imported goods except goods which are included in any exemption order made under the Sales Tax Act 2018 which include books, newspapers, medicines and machinery; and goods imported on or with any person entering Malaysia or in the baggage of such person and the goods are not for commercial use, excluding motor vehicles, alcoholic beverages, spirits, tobacco, cigarettes, tyres and tube.

Sales tax is generally taxed at 10%. Certain building materials, non-essential foodstuffs, clocks and watches are taxed at the rate of 5% and certain petroleum products and motor oil are taxed at individual specific rates.

Any manufacturer of taxable goods is liable to be registered when the total sales value of all his taxable goods has exceeded RM500,000 in a period of 12 months. However, there are certain manufacturing activities which are exempted from registration irrespective of the total sales value of taxable goods in a period of 12 months such as engraving of articles, manufacture of ready mixed concrete, jewellery and goldsmiths wares and rendering of personal tailoring services.

REGULATORY OVERVIEW

A manufacturer who is registered under the GST Act shall be deemed to have been registered under the Sales Tax Act 2018 on the effective date of the Sales Tax Act 2018, i.e. 1 September 2018, if the total sales value of all his taxable goods will exceed RM500,000 in a period of 12 months. Any person who manufactures taxable goods before 1 September 2018 shall within 30 days from 1 September 2018 apply to the Director General of Customs and Excise to be registered as a manufacturer if the total sales value of all his taxable goods will exceed RM500,000 in a period of 12 months.

As at the Latest Practicable Date, TSM and TZF are registered under the Sales Tax Act 2018.

Service Tax Act 2018

Service tax was implemented in Malaysia pursuant to the Service Tax Act 2018 with effect from 1 September 2018 to replace the GST Act. Service tax is charged and levied on any taxable services provided in Malaysia such as provision of legal services, accommodation, prepared or served food or drinks, betting and gaming services, and credit card or charge card services.

Service tax is imposed at the rate of 6%, other than taxable service relating to credit card or charge card services which is charged at the specific rate of RM25 for each principal and supplementary credit card or charge card.

In general, service providers rendering taxable services are liable to be registered if the total value of taxable services provided by the service provider exceeds RM500,000 in a period of 12 months. For restaurant operators, caterers and food court operators, the registration threshold is RM1,500,000.

A service provider who is registered under the GST Act shall be deemed to have been registered under the Service Tax Act 2018 on the effective date of the Service Tax Act 2018, i.e. 1 September 2018, if the total value of all his taxable services will exceed the registration threshold in a period of 12 months. Any person who provides taxable services before 1 September 2018 shall within 30 days from 1 September 2018 apply to the Director General of Customs and Excise to be registered as a registered person if the total value of all his taxable services will exceed the registration threshold in a period of 12 months.

Employees' Social Security Act 1969

The Employees' Social Security Act 1969 (“**Employees' Social Security Act**”), which essentially establishes social security in certain contingencies and to make provision for certain other matters in relation to it. All employees in industries to which the Employees' Social Security Act applies, irrespective of the amount of wages, shall be insured in the manner provided by the Employees' Social Security Act.

The contribution payable under Employees' Social Security Act in respect of an employee shall comprise contribution payable by the employer and contribution payable by the employee and shall be paid to the Social Security Organization. The contributions shall be paid in accordance with the rates specified in the Third Schedule of the Employees' Social Security Act.

Income Tax Act 1967

The Income Tax Act 1967 (“**Income Tax Act**”) imposes a tax, known as income tax which shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. Corporations are taxed on income derived from Malaysia. Foreign-source income is exempt unless the corporation is carrying on a business in the banking, insurance, air transport or shipping sectors. A company will be a tax resident in Malaysia if its management and control is exercised in Malaysia.

Corporate Tax

A resident company incorporated in Malaysia with a paid-up capital more than RM2,500,000 is generally subject to the standard corporate tax rate of 24% for the years of assessment 2016, 2017 and 2018, and 25% for the year of assessment 2015, whilst the rate for resident small and medium sized companies (i.e. companies incorporated in Malaysia with paid-up capital of RM2,500,000 or less and that are not part of a group containing a company exceeding this capitalisation threshold) is 18% on the first RM500,000, with the balance being taxed at the rate of 24% with effect from year of assessment 2017, 19% on the first RM500,000 with the balance being taxed at the rate of 24% for the year of assessment 2016, and 20% on the first RM500,000, with the remaining balance being taxed at the rate of 25% for the years of assessment 2009 to 2015. A non-resident company is subject to flat corporate tax rate of 24% on its chargeable income for the year of assessment 2017.

Dividends Distributions

Single-tier System

Malaysia adopts the single-tier tax system (“**Single-tier System**”). Under the Single-tier System, corporate income is taxed at corporate level and tax paid by a company is a final tax. Companies may declare single-tier exempt dividend that would be exempt from tax in the hands of their shareholders. Companies are not required to deduct tax from dividends paid to shareholders, and no tax credits will be available for offset against the recipient’s tax liability. Corporate shareholders receiving single-tier exempt dividends can, in turn, distribute such dividends to their own shareholders, who are also exempt on such receipts.

Withholding Tax

There is no withholding tax in Malaysia on payments of dividends by a resident company to its non-resident shareholders.

Transfer pricing

The transfer pricing in Malaysia is generally regulated by the Income Tax Act, the Income Tax (Transfer Pricing) Rules 2012 (“**Transfer Pricing Rules**”) and the Transfer Pricing Guidelines 2012 (“**Transfer Pricing Guidelines**”). The Income Tax Act requires a person who enters into a controlled transaction with an associated person to determine and apply the arm’s length price for the acquisition or supply of property or services. “Controlled transactions” are the transactions entered between the following:

- (a) persons one of whom has control over the other; or
- (b) individuals who are relatives of each other; or
- (c) persons both of whom are controlled by some other person.

Transfer Pricing Rules provides that a person shall apply the traditional transactional method to determine the arm’s length price of a controlled transaction. Where the traditional transactional method cannot be reliably applied or cannot be applied at all, the person shall then apply the transactional profit method. “**Traditional transactional method**” means the comparable uncontrolled price method or the resale price method or the cost plus method whereas “**transactional profit method**” means the profit split method or the transactional net margin method. Where both the traditional transactional method and transactional profit method cannot be applied at all, the Director General of Inland Revenue may allow the application of other methods which provides the highest degree of comparability between the transactions.

REGULATORY OVERVIEW

The Transfer Pricing Rules further provides that where the Director General of Inland Revenue has reason to believe that any price including the rate of interest imposed or would have been imposed in a controlled transaction is not at arm's length, the Director General of Inland Revenue may make an adjustment to reflect the arm's length price or interest rate for that transaction by substituting or imputing the price or interest, as the case may be.

Transfer Pricing Guidelines are applicable on controlled transactions for the acquisition or supply of property or services between associated persons, where at least one person is assessable or chargeable to tax in Malaysia. Persons referred to above do not include individuals not carrying on a business. Further:

- (a) for a person carrying on a business, the Transfer Pricing Guidelines apply wholly to a business with gross income exceeding RM25 million, and the total amount of related party transactions exceeding RM15 million; and
- (b) where a person provides financial assistance, the guidelines on financial assistance are only applicable if that financial assistance exceeds RM50 million. The Transfer Pricing Guidelines do not apply to transactions involving financial institutions.

Any person which falls outside the above scope may opt to fully apply all relevant guidance as well as fulfill all Transfer Pricing Documentation requirements in the Transfer Pricing Guidelines; or alternatively may opt to comply with certain Transfer Pricing Documentation requirements as set out in the Transfer Pricing Guidelines. In this regard, the person is allowed to apply any method other than the five methods described in the Transfer Pricing Guidelines provided it results in, or best approximates, arm's length outcomes.

Consumer Protection Act 1999

The Consumer Protection Act 1999 was enacted to provide for the protection of consumers. In 2007, the Consumer Protection Act 1999 was amended to include electronic trading. The Consumer Protection (Electronic Trade Transactions) Regulations 2012 ("**Electronic Trade Transactions Regulations**") enacted under the Consumer Protection Act 1999 apply to any person who operates a business for the purpose of supply of goods or services through a website or in an online marketplace and any person who provides an online marketplace ("**Online Marketplace Operator**"). 'Online marketplace' means a website where goods or services are marketed by third parties for the purpose of trade.

All online business operators are required to (i) disclose certain information on the website or online marketplace where the business is conducted (i.e. name of the online business operators, business or company, registration number of the business or company, e-mail address and telephone number or address of the online business operators, description of the main characteristics of the goods or services, full price of the goods or services, method of payment, terms and conditions and estimated time of delivery of the goods or services to the buyer); and (ii) allow the buyer to rectify any errors prior to the confirmation of the order and acknowledge receipt of the order to the buyer without any undue delay. Any Online Marketplace Operator shall take reasonable steps to keep and maintain a record of the names, telephone numbers and addresses of the suppliers for a period of 2 years.

REGULATORY OVERVIEW

Personal Data Protection Act 2010

The Personal Data Protection Act 2010 regulates the processing of personal data in commercial transactions. It applies to any person who processes and any person who has control over or authorizes the processing of, any personal data in respect of commercial transactions, except the Federal Government and State Government. Personal data relates directly or indirectly to a data subject, who is identified or identifiable from that information or from that and other information in the possession of a data user, including any sensitive personal data and expression of opinion about the data subject. Where processing of personal data is carried out by a data processor on behalf of the data user, it is the responsibility of the data user to ensure that the data processor provides sufficient guarantee to protect the personal data from any loss, misuse, modification, unauthorized or accidental access or disclosure, alteration or destruction.

Any person who contravenes any provision under the acts and/or regulations as mentioned above shall be guilty of an offence and is liable on conviction to monetary fines and/or imprisonment.

OUR GROUP'S COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group has been in compliance with the aforesaid laws and regulations of Singapore and Malaysia in all material aspects save as disclosed in the section headed “Business – Non-compliances” of this prospectus. In relation to the aforesaid compliance obligations, our management reviews our business practices regularly, and our Group has adopted various measures as set out in our Group’s internal manuals, so as to ensure compliance with the applicable laws and regulations as discussed above.

HISTORY AND DEVELOPMENT

Our business history

We have over 50 years of experience in the snacks industry particularly in the production of nuts in Singapore. Our history can be traced back to 1966 when Tai Sun (Lim Kee) Co commenced as a partnership, which was initially engaged in manufacturing of food products. Over the years, we expanded our product offering of nuts to include healthier alternative of premium nuts which are marketed under the brand “NATURE’S WONDERS”. Further, we expanded our product mix to include chips when we first launched the “UCA” brand cassava chips and subsequently the “TREATZ” brand potato chips. Our products have been sold and distributed to over 10 countries including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia.

As at the Latest Practicable Date, we owned two production facilities in Malaysia with automated machinery such as peelers, fryers, and packaging machines and a corporate office with storage facilities in Singapore supported by over 200 employees. Our production facilities have an aggregate annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips.

Key milestones of our Group

The following table sets forth major development milestones of our Group:

Date	Milestones
June 1984	TSS was incorporated on 28 June 1984 in Singapore.
August 1984	We acquired a bigger factory at 255 Pandan Loop, Singapore 128433 which is currently used as our corporate office and storage facility.
May 1990	TSM was incorporated on 24 May 1990 in Malaysia.
December 1999	We acquired a factory in Johor Bahru, Malaysia to relocate our factory and production function from Singapore to Johor Bahru, Malaysia.
June 2005	We first obtained ISO 9001 and HACCP certifications.
September 2007	We acquired an additional factory in Johor Bahru, Malaysia to expand our production capacity.
2008	We launched the “NATURE’S WONDERS” brand by introducing a healthier alternative of premium nuts.
2011	We launched the “UCA” brand by introducing the UCA cassava chips which is made using the cassava root.
2013	We launched the “TREATZ” brand by introducing four flavours of TREATZ potato chips.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	Milestones
August 2013	We first obtained ISO 22000 in the scope of manufacturer of quality nuts and food snacks.
January 2014	TZF was incorporated on 7 January 2014 in Malaysia.
April 2014	We first obtained the “Supplier Excellence Award” in the “Gold” category from NTUC in recognition of our outstanding support and contribution to NTUC.
October 2015	We first obtained ISO 22000 in the scope of manufacturer of potato and cassava chips.
November 2016	We invested in a digital laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size differences.
October 2018	We first obtained FSSC 22000 in the scope of manufacture of potato and cassava chips
December 2018	We first obtained FSSC 22000 in the scope of manufacture of nuts and food snacks (tree nuts, beans, peas and dried fruits).

OUR GROUP COMPANIES

As of the Latest Practicable Date, our Group comprised our Company, TSH, TSS, TSM and TZF. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018 in anticipation of the Listing and is the holding company of our Group. TSH was incorporated in the BVI on 3 May 2018 for the purpose of holding our Company’s equity interests in TSS.

TSS

TSS was incorporated in Singapore as a private company limited by shares on 28 June 1984 with principal activities of wholesale trading. At the time of its incorporation, TSS was owned as to 50.0% by Mr. Lim (Sr) and 50.0% by Mdm. Han. On 3 September 1984, 179,999 ordinary shares, 29,999 ordinary shares, 30,000 ordinary shares, 30,000 ordinary shares and 30,000 ordinary shares in TSS were allotted and issued to Mr. Lim (Sr), Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim respectively, following which they held shareholding interests of 60.0%, 10.0%, 10.0%, 10.0% and 10.0% of the then enlarged issued and paid-up share capital of TSS respectively.

Subsequently, Mr. Lim (Sr) transferred (i) 30,000 ordinary shares in TSS, to each of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, who are existing shareholders and family members of Mr. Lim (Sr) at nil consideration; and (ii) 3,000 ordinary shares in TSS to each of Mr. James Loo and Ms. Jillian Ong at nil consideration. Mr. Lim (Sr) also transferred 3,000 ordinary shares in TSS to each of Mr. Ricky Er and Madam Lee Liang Keng, both being staff of TSS at nil consideration. Therefore, on 7 September 1992, Mdm Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo, Ms. Jillian Ong, Mr. Ricky Er and Madam Lee Liang Keng were registered as the holders of 20.0%, 20.0%, 20.0%, 20.0%, 1.0%, 1.0%, 1.0% and 1.0% of the then issued and paid-up share capital of TSS respectively. The remaining 16.0% was held by Mr. Lim (Sr). On 24 October 2008, Mdm. Han and Mr. Winston Lim, being the joint executors of the estate of Mr. Lim (Sr), transferred 12,000 ordinary shares, 12,000 ordinary shares, 12,000 ordinary shares and 12,000 ordinary shares in TSS to Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim respectively, following which they held shareholding interests of 24.0%, 24.0%, 24.0% and 24.0% of the then issued and paid-up share capital of TSS respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 28 April 2014, Madam Lee Liang Keng transferred her entire shareholding of 3,000 ordinary shares in TSS on equal basis to Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim respectively for a total consideration of S\$121,000 with reference to the audited net assets of TSS. Upon completion of the transfer, TSS was owned as to 24.25% by Mdm. Han, 24.25% by Ms. Sandy Lim, 24.25% by Mr. Winston Lim, 24.25% by Mr. Lawrence Lim, 1.0% by Mr. James Loo, 1.0% by Ms. Jillian Ong and 1.0% by Mr. Ricky Er. On 11 September 2017, Mr. Ricky Er transferred his entire shareholding of 3,000 ordinary shares in TSS on equal basis to Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim respectively for a total consideration of S\$180,000 with reference to the audited net assets of TSS. Upon completion of the transfer, TSS was owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong. On 18 December 2018, pursuant to the Reorganisation, TSS became an indirect wholly-owned subsidiary of our Company. Details of the Reorganisation is set out in the paragraph headed “Reorganisation” in this section.

TSM

TSM was incorporated in Malaysia as a private company limited by shares on 24 May 1990 as producer and manufacturer of titbits. As at 24 May 1990, TSM was owned as to 20.0% each by Mr. Lim (Sr), Mr. Winston Lim, Mr. Lawrence Lim, and two Independent Third Parties. Subsequently, the two Independent Third Parties transferred their shares in TSM to two other Independent Third Parties respectively. On 24 September 1991, Mr. Lim (Sr) acquired from those Independent Third Parties their shares in TSM, following which Mr. Lim (Sr), Mr. Winston Lim and Mr. Lawrence Lim held shareholding interest of 60.0%, 20.0% and 20.0% of the then issued share capital of TSM respectively.

On 1 October 1991, 399,997 shares, 49,999 shares and 49,999 shares in TSM were allotted and issued to Mr. Lim (Sr), Mr. Winston Lim and Mr. Lawrence Lim respectively, following which they held shareholding interest of 80.0%, 10.0% and 10.0% of the then enlarged issued share capital of TSM respectively. On 8 September 1992, Mr. Lim (Sr) transferred his entire shareholding in TSM on an equal basis to Mr. Winston Lim and Mr. Lawrence Lim, following which Mr. Winston Lim and Mr. Lawrence Lim held shareholding interest of 50.0% and 50.0% of the then issued share capital of TSM respectively. On 23 September 1997, 40,000 shares in TSM were allotted and issued to each of Mr. Winston Lim and Mr. Lawrence Lim and on 18 August 2000, 119,000 shares in TSM were allotted and issued to each of Mr. Winston Lim and Mr. Lawrence Lim, following which Mr. Winston Lim and Mr. Lawrence Lim held shareholding interest of 50.0% and 50.0% of the then issued share capital of TSM respectively.

On 19 February 2004, 1,182,000 shares in TSM were allotted and issued to TSS, following which TSS, Mr. Winston Lim and Mr. Lawrence Lim held shareholding interest of 59.1%, 20.45% and 20.45% of the then issued share capital of TSM respectively. On 12 October 2007, 300,000 shares in TSM were allotted and issued to TSS, following which TSS, Mr. Winston Lim and Mr. Lawrence Lim held shareholding interest of approximately 64.4%, 17.8% and 17.8% of the issued share capital of TSM respectively. On 24 April 2018, pursuant to the Reorganisation, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TSM to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM409,000 and RM409,000 respectively with reference to their original capital contribution. Upon completion of the share transfer, TSM became a direct wholly-owned subsidiary of TSS. Details of the Reorganisation is set out in the paragraph headed “Reorganisation” in this section.

TZF

TZF was incorporated in Malaysia as a private company limited by shares on 7 January 2014 as producer and manufacturer of titbits. At the time of its incorporation, the then shareholding interest of TZF was owned as to 50.0% each by two Independent Third Parties. On 2 May 2014, each of the two Independent Third Parties transferred all their shares in TZF to Mr. Winston Lim and Mr. Lawrence Lim respectively at nominal consideration as it was a shelf company acquired from two Independent Third Parties. On 16 June 2014, TZF allotted and issued 644 shares, 177 shares and 177 shares to TSS, Mr. Winston Lim and Mr. Lawrence Lim respectively, following which they held shareholding interests of approximately 64.4%, 17.8% and 17.8% of the enlarged issued share capital of TZF respectively. On 19 December 2014, 321,356 shares, 88,822 shares and 88,822 shares in TZF were allotted and issued to TSS, Mr. Winston Lim and Mr. Lawrence Lim respectively, following which they held shareholding interests of approximately 64.4%, 17.8% and 17.8% of the enlarged issued share capital of TZF respectively. On 23 April 2018, pursuant to the Reorganisation, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TZF to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM89,000 and RM89,000 respectively with reference to their original capital contribution. Upon completion of the share transfer, TZF became a direct wholly-owned subsidiary of TSS. Details of the Reorganisation is set out in the paragraph headed “Reorganisation” in this section.

All the abovementioned transfers of shares in TSS, TSM and TZF were properly and legally completed and settled.

COLLECTIVE CONTROL OF MDN. HAN, MS. SANDY LIM, MR. WINSTON LIM, MR. LAWRENCE LIM, MR. JAMES LOO AND MS. JILLIAN ONG

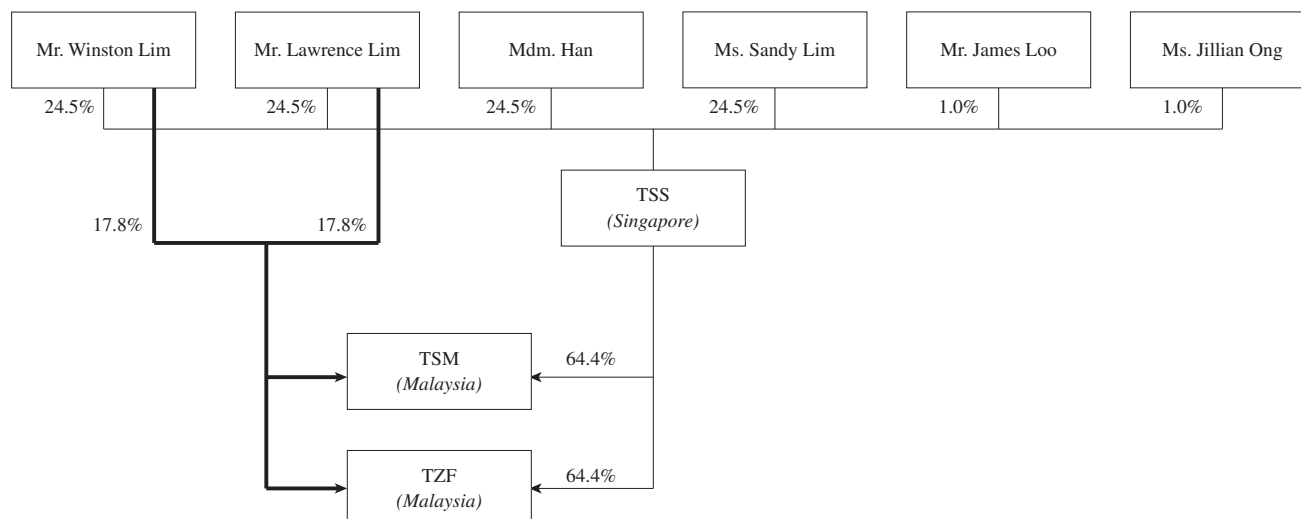
Despite the respective legal ownership in TSS, TSM and TZF, Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong who are close family members and have influence on each other, have had a mutual understanding to act in concert with each other in exercising their respective powers, whether as directors and/or shareholders to collectively control these three companies. Furthermore, as evidenced by our Group’s internal meeting, matters relating to major development of our Group’s business were discussed between Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim from time to time and decisions for carrying out our major business strategies were mutually agreed by Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim including but not limited to (i) decision to relocate our production facilities to Johor, Malaysia; (ii) decision to expand the production capacity of our production facilities; (iii) decision to undertake a rebranding exercise; and (iv) decision to apply for the Listing. In addition, since 23 April and 24 April 2018, TZF and TSM are wholly-owned by TSS respectively. Based on the above, each of TSS, TSM and TZF is currently and was throughout the Track Record Period controlled by Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim.

On 29 June 2018, Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong executed the Concert Party Deed pursuant to which Mdn. Han, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim confirmed the existence of the aforementioned mutual understanding and arrangement in the past, and agreed to act in concert for all operational, management and financial matters in relation to each of TSS, TSM and TZF for so long they remain interested (either directly or indirectly) in the share capital of any of these companies and/or remain as the key management members of any of these companies.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows our corporate structure immediately before the commencement of the Reorganisation.



REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. As at the time of its incorporation, one Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to SWL on the same date. On 19 April 2018, 99 additional Shares were allotted and issued to SWL, all credited as fully paid.

2. Acquisition of (i) 35.6% of TZF; and (ii) 35.6% of TSM, by TSS

On 23 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TZF to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM89,000 and RM89,000 respectively with reference to their original capital contribution. Upon completion of the share transfer, TZF became a direct wholly-owned subsidiary of TSS.

On 24 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TSM to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM409,000 and RM409,000 respectively with reference to their original capital contribution. Upon completion of the share transfer, TSM became a direct wholly-owned subsidiary of TSS.

3. Incorporation of TSH

TSH was incorporated in the BVI with limited liability on 3 May 2018, with an authorised share capital of US\$50,000 divided into 50,000 shares with a single class of par value of US\$1.0 each. On 10 May 2018, one share in TSH was allotted and issued to our Company, credited as fully-paid.

4. Acquisition of TSS by TSH

On 18 December 2018, each of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong transferred all his/her shares in TSS to TSH at the consideration of S\$1.0 respectively, which was settled by our Company allotting and issuing 220 new Shares, 220 new Shares, 220 new Shares, 220 new Shares, 10 new Shares and 10 new Shares, all credited as fully paid, to SWL at the directions of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong respectively. Upon completion of the share transfer, TSS became an indirect wholly-owned subsidiary of our Company.

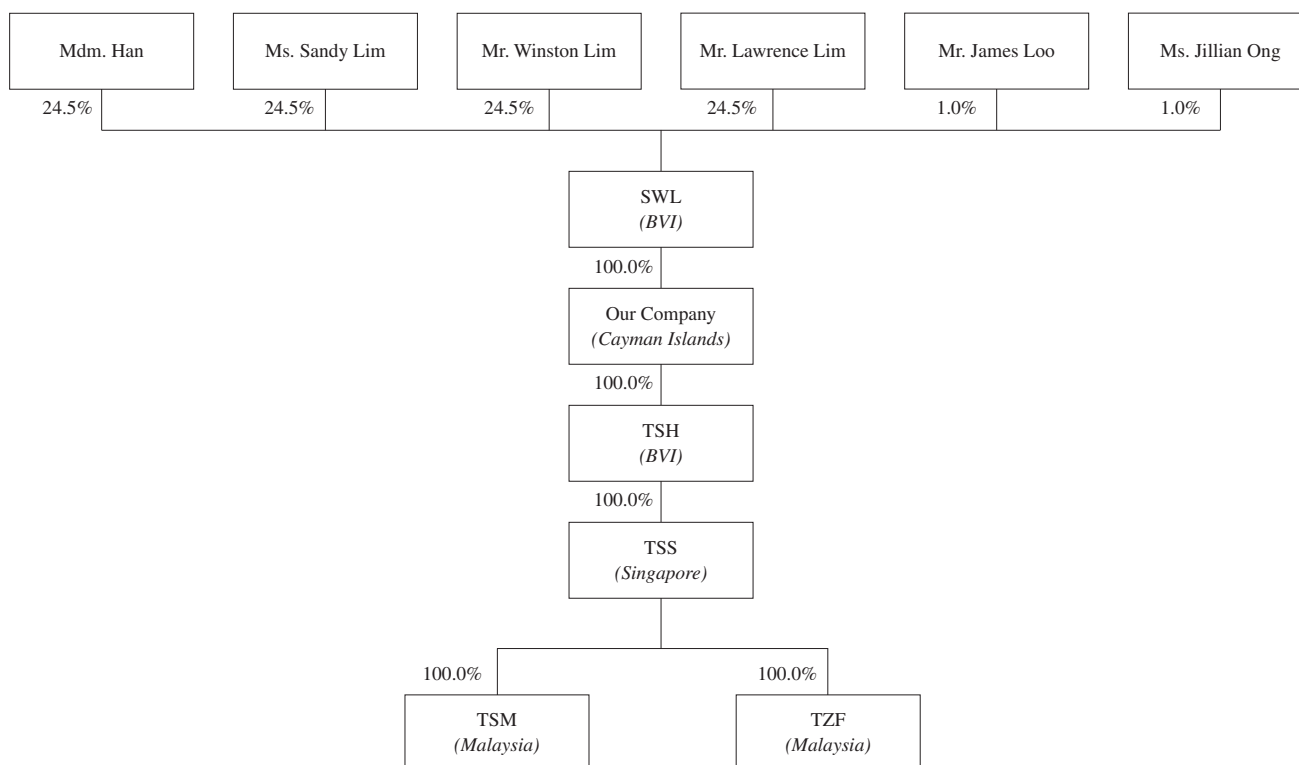
On 18 December 2018, nine shares in TSH were allotted and issued to our Company, all credited as fully paid, in consideration for our Company allotting and issuing in aggregate 900 new Shares for the acquisition of the entire issued share capital of TSS by TSH.

Our Directors confirm that the Reorganisation would not require any approval or permit from any relevant government authorities in the Cayman Islands, Singapore or Malaysia. Further, our Directors confirm that there are no conditions attached to any of our licences or permits that would require approval or consent to be obtained, failing which the Reorganisation would result in a cancellation, revocation or withdrawal of any such licence or permit.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE SHARE OFFER AND THE CAPITALISATION ISSUE

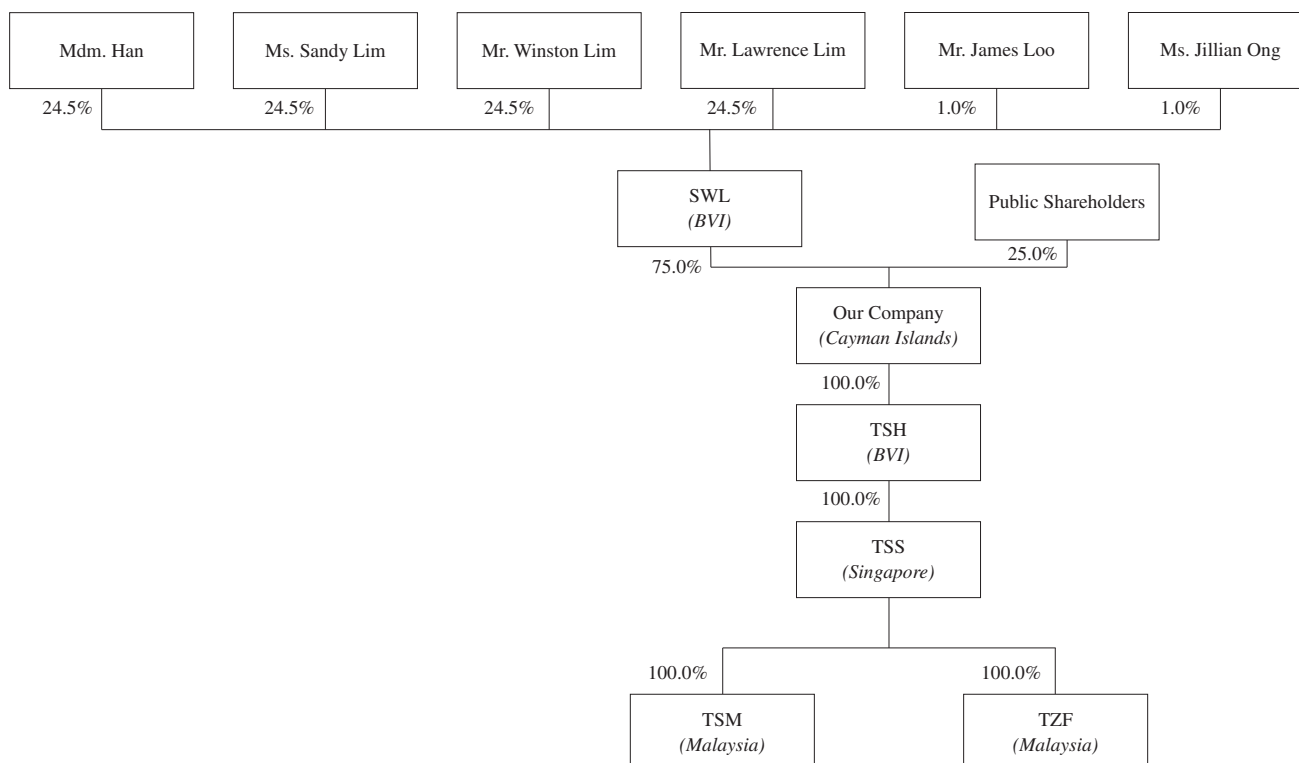
Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE SHARE OFFER AND THE CAPITALISATION ISSUE

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a snacks company headquartered in Singapore primarily focused on the production, packaging and sale of nuts and chips with track record of more than 50 years. Our core products include roasted nuts, baked nuts, potato chips and cassava chips. Our products have been sold and distributed to over 10 countries, including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia.

The table below sets forth our revenue according to product category during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	37,655,982	74.9%	44,531,504	77.7%	43,158,435	77.7%	20,426,019	75.5%	22,477,969	75.7%
Chips	10,114,144	20.1%	10,217,144	17.8%	10,223,122	18.4%	5,371,936	19.8%	5,713,391	19.3%
Others (Note)	<u>2,534,804</u>	<u>5.0%</u>	<u>2,578,332</u>	<u>4.5%</u>	<u>2,130,389</u>	<u>3.9%</u>	<u>1,273,126</u>	<u>4.7%</u>	<u>1,496,081</u>	<u>5.0%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

Our nuts and chips are manufactured at our two production facilities located in Johor, Malaysia. Our production system is automated, from sorting of materials, slicing, roasting, frying, right through to packaging of our products. Our production facilities have a maximum annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips respectively.

We have adopted and implemented the HACCP standard which is an internationally recognised management system addressing food safety. In recognition of our standards and efforts, we have been accredited with various certifications, including ISO 9001, ISO 22000 and FSSC 22000 in relation to our quality management and food safety. All the products that we manufacture are also certified “HALAL”, which enables our products to be sold to Muslims and therefore suitable for consumption for a wider range of consumers.

OUR COMPETITIVE STRENGTHS

We have a track record of more than 50 years in the snacks industry primarily focused on the production, packaging and sale of nuts and chips

We have over 50 years of experience in the snacks industry. Our history can be traced back to 1966 when Tai Sun (Lim Kee) Co commenced as a partnership which was initially engaged in manufacturing of food products. With our long established corporate brand, “TAI SUN”, together with a diversified portfolio of our food brands including “NATURE’S WONDERS”, “UCA” and “TREATZ”, we believe we have highly differentiated ourselves from our competitors in the snacks industry, particularly in nuts and chips. For each of our brands, we target a distinct consumer profile or preference and formulate flexible and targeted marketing strategies that can immediately connect with consumers. Further, with active marketing and branding of our products through various advertising platforms including in-store displays, social media, outdoor sampling and events sponsorship, we believe that, over the years, we have established a brand image that is associated with premium taste, high standards and good quality products. Based on reported revenue for 2017, we were ranked second and seventh in the Ipsos Report with market share of approximately 1.62% and 0.65% of the total snacks industry market value in Singapore and Malaysia respectively.

We have an established management system to ensure food quality and safety

We believe that stringent food quality and safety standards are crucial to our reputation and success. We are committed to producing the highest quality products and have adopted stringent quality control measures at all stages in our production process, from procurement to packaging. Please refer to the paragraph headed “Quality control” in this section for further details. We also maintain stringent hygiene standards to ensure that our products are safe for consumption. We have adopted and implemented the HACCP system, an internationally recognised management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards in our production process to ensure these risks are kept to a safe level. Further, we have been continuously accredited and re-accredited with ISO 9001 and ISO 22000 for the scope of manufacture of quality nuts and food snacks, potato and cassava chips with the latest FSSC 22000 for the scope of manufacture of potato and cassava chips, nuts and food snacks (tree nuts, beans, peas and dried fruits). We believe that these certifications signify our commitment to pursue excellence in our quality control standards and food safety measures, which we believe is fundamental to consumers’ loyalty and confidence to our brands and products. In addition, all the products that we manufacture are certified “HALAL” which enables our products to be sold to Muslims and therefore suitable for consumption for a wider range of consumers.

We have two production facilities in Malaysia with automated equipment and machinery which have annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips respectively

We have our own production facilities located in Johor, Malaysia with automated equipment and machinery from sorting of materials, slicing, roasting, frying, right through to packaging of our products. Our production facilities have a maximum annual production capacity of approximately 4,380 tonnes for nuts, 1,350 tonnes for potato chips and 324 tonnes for cassava chips respectively. Please refer to the paragraph headed “Production” in this section for further details. As we manufacture our nuts and chips in-house, having our own production facilities, automated equipment and machinery will enable us to better monitor and ensure the quality of our food products. Further, we have control over our production process and able to plan our production schedule in response to our customers’ needs and ensure timely delivery of our products.

We have an international network of customers and distributors, with an established global presence

Our products have been sold and distributed to over 10 countries, including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia. We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. We believe that we have a stable customer base. Of our six largest customers during the Track Record Period, five of them have been trading with us for at least 10 years.

For the three years ended 31 December 2017 and six months ended 30 June 2018, we sold our products to 51, 58, 55 and 51 distributors respectively to distribute, sell and market our products in their respective territories. We generally afford our distributors latitude in marketing and selling our products, as they are more suited to judge local market trends and sentiments based on their expertise, knowledge and experience. We believe that this distributorship model is mutually beneficial to our growth, and assists us in retaining our distributors. Please refer to the paragraph headed “Marketing, sales and customers” in this section for further details.

We have a stable management team with extensive industry expertise

We have an experienced and dedicated management team led by our Executive Directors, Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim, being the second-generation family members of the founders who first registered Tai Sun (Lim Kee) Co as partnership in 1966. Most of our Executive Directors have been serving our Group since July 1984 and leveraging their expertise in managing our Group's business. Mr. Lawrence Lim is responsible for all matters related to the overall manufacturing and production function, Mr. Winston Lim is responsible for all matters related to sales and marketing function, whilst Ms. Sandy Lim is responsible for all matters related to procurement, finance and administration of our Group. Our Executive Directors are supported by experienced senior management team. Further, we have succession planning in place whereby the third-generation family members are also involved in the management of our business. Please refer to the section headed "Directors and senior management" of this prospectus for further details. In addition, we have distinct departments with experienced staff focusing in various critical aspects of our operations, including production, sales and marketing, logistics and finance.

BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder's value. For the three years ended 31 December 2017, our revenue were relatively stable within the range of S\$50.0 million to S\$60.0 million. Our Directors are of the view that there is potential for higher growth in our revenue had it not due to (i) the limited range of our existing products to cater for changes in our consumers' taste and preferences; and (ii) we are discouraged from accepting ad-hoc or irregular high quantity orders as we also unable to cope with the demand from our existing customers and required to reschedule certain shipments particularly in certain months of the year leading to the holiday seasons where our production facilities are fully utilised to meet sales demand. For instance, in November 2018, we have rescheduled shipment for orders of at least 6,000 cartons of our products amounting to at least USD230,000. Delay in the shipment to our existing customers also lead to our inability to capture the market demand while it is at its peak during the year. We intend to achieve a higher growth in the future by expanding and strengthening our market position in the snacks industry, through (i) the production and launch of tortilla chips, a new chips product range by leveraging our branding and production capability strength; and (ii) the increase in the production capacity and sales of nuts and potato chips products.

Production and launch of tortilla chips

According to the Ipsos Report, chips were the largest category in the Singapore savoury snacks market, accounting for approximately 49.6% of the total market with a value of approximately S\$130.2 million for 2016. In particular, the tortilla chips category in Singapore has recorded a CAGR of approximately 5.0% from 2011 to 2016, with a year-on-year growth of approximately 5.7% in 2017. Beyond 2018, Ipsos expects the prospects for growth for tortilla chips in Singapore to continue to grow at CAGR of approximately 5.7% from 2018 to 2022.

For the Malaysia market, potato-based snacks or chips accounted for approximately 22.8% of the savoury snacks market which was valued at approximately RM462.1 million in 2016. In particular, the tortilla chips category in Malaysia has recorded a CAGR of approximately 10.4% from 2011 to 2016, with a year-on-year growth of approximately 9.5% in 2017. Beyond 2018, Ipsos expects the prospects for growth for tortilla chips in Malaysia to continue to grow at CAGR of approximately 12.1% from 2018 to 2022.

Further, the number of major players offering tortilla chips products in Singapore and Malaysia respectively is less than five which is comparatively lesser than the major players offering traditional potato chips products at between five to ten players. Most of these major players offering tortilla chips products are manufacturing tortilla chips overseas, outside of Malaysia and Singapore. As such, we consider the prospects for tortilla chips category to be positive due to potential growths in these markets and the limited number of major players that offer such products, resulting in less competition involved.

For further details, please refer to the section headed “Industry overview – Overview of the snacks industry in Singapore, Malaysia and China” of this prospectus.

We have also conducted our internal research by studying publicly available research report on savoury snacks in Singapore from independent market research expert which forecasted growth in the sales of tortilla chips in Singapore. Further, we also obtained feedback from two of our five largest customers during the Track Record Period and who are also distributors in the respective local markets whereby both are of the opinion that tortilla chips would be accepted by consumers in the markets that they are currently serving. Being the distributors in the respective local markets, we believe that the two customers have sufficient expertise and knowledge of the target local markets. In addition, they indicated that they will be keen to purchase and distribute the tortilla chips products from us when our tortilla production facilities are ready.

Further, we have also analysed the profitability of the tortilla chips products after taking into consideration the comparable prices of tortilla chips in the market, as well as relevant production costs including masa (corn dough or flour, being the main material for tortilla chips products), staff costs and selling and distribution expenses, and based on such analysis, we concluded that expanding our products range to include tortilla chips products will generate growth in our revenue and profits. With the long-term and established relationships with our customers which include supermarket chains and distributors, we already have an existing and established network which could sell and market the tortilla chips products readily. In addition, with our experience in the snacks industry having producing both potato and cassava chips, we believe that our Group has the relevant experience and expertise in managing the tortilla chips production line. Furthermore, our tortilla chips products will be made from masa which has already been processed by suppliers from whole corn and therefore less susceptible to supply disruption or inconsistency in the quality of materials.

Although there are existing major players offering tortilla chips products in Singapore and Malaysia, our Executive Directors believe that with our experience in the snacks industry we are more aware of the consumers’ preferences and can produce our tortilla chips with seasoning to suit the local consumers. We foresee the opportunity in performing well in our tortilla chips products by taking advantage of our proximity of production facilities in Malaysia, enabling us to (i) cater to the changes in consumers’ preferences and capture market demand by producing our tortilla chips products with localised seasonings and flavours that may be deemed more preferable by Singapore and Malaysia consumers; and (ii) cater to the local market demand by responding quicker and ability to ship our products in relatively shorter period of time. Since most major players manufacture the tortilla chips products in other countries and require time to ship these products, the Executive Directors believe that by having the tortilla chips production facilities in Malaysia, we will be able to save in shipping costs and time to meet our customers demand in Singapore and Malaysia which could enable us to price our products competitively and profitably.

In view of the (i) potential growth of tortilla chips in Singapore and Malaysia as explained above and stated in the Ipsos Report; (ii) publicly available research report which forecasted growth in the sales of tortilla chips in Singapore; (iii) feedback from customers which are of the opinion that tortilla chips would be accepted by consumers in the markets that they are currently serving; (iv) some of our existing customers indicated that they will be keen to purchase and distribute the tortilla chips products from us when our tortilla production facilities are ready; (v) number of major players offering tortilla chips products in Singapore and Malaysia is less than five which is comparatively lesser than the major players offering traditional potato chips products at between five to ten players with most of these major players manufacturing tortilla chips overseas, outside of Malaysia and Singapore as indicated in the Ipsos Report and therefore lesser competition in these potentially growing markets our Group to operate in for tortilla chips products; (vi) masa has a relatively more stable supply with consistent quality as compared to cassava roots; (vii) our long term relationship with supermarket chains to market and sell our products; and (viii) our experience in the snacks industry having producing both potato and cassava chips, we intend to expand the offering of our chips products to include tortilla chips. Based on the implementation plan as detailed below, we estimate that it will take approximately one year to receive, install, calibrate and test the new tortilla chips production line prior to the commencement of the operation and with our current plan to purchase the tortilla chips production line in year 2019, we expect to commence production and sales of tortilla chips product in year 2020.

As our production lines for potato chips and cassava chips are specific to each product and could not be used interchangeably, we will purchase a new production line to produce tortilla chips which include automated equipment and machinery such as mixer, oven, fryer, seasoning machines and packaging machines with an estimated production capacity of 340 kilograms of tortilla chips per hour. The maximum annual production capacity is estimated at approximately 1,836 tonnes for tortilla chips.

We will expand our workforce to operate our new tortilla chips production line which will be overseen by our manufacturing manager, Mr. John Mok who has the experience in the areas of production process of chips and quality control. We intend to hire supervisors, operators for the tortilla chips production line and packaging machines, quality control staff, technicians to maintain our new equipment and machinery, storekeepers and administrative staff.

We will also embark on promotional and marketing activities for our new tortilla chips product including but not limited to creation of a new brand for the tortilla chips product, product sampling, traditional advertising channels such as print and in-store displays as well as social media for the launch of tortilla chips.

To accommodate the tortilla chips production line, we intend to upgrade our production facilities in Johor, Malaysia by renovating the existing properties. Meanwhile, our warehouse in Singapore and head office are almost fully utilised to store our finished products and accommodate our existing employees. We intend to upgrade our warehouse and head office in Singapore by undertaking renovation on the existing building to make full and better use of available space. With the launch of our tortilla chips and anticipated increased orders for nuts and chips from the expansion of our production capacity and additional advertising and marketing activities, we anticipate more space will be required to store our inventories.

BUSINESS

We estimate that the total cost of investments for our new tortilla chips production line and packaging machines, to be approximately S\$2.4 million (approximately HK\$13.8 million) which shall be funded by combination from net proceeds and debt financing as follows:

Types	Number of units	Funding from net proceeds		Debt financing		Total capital expenditure	
		HK\$ million	S\$ million	HK\$ million	S\$ million	HK\$ million	S\$ million
		(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)
Tortilla chips production line	1	5.2	0.9	5.2	0.9	10.4	1.8
Packaging machine	1	1.7	0.3	1.7	0.3	3.4	0.6

We further work out our breakeven period and investment payback period based on the assumptions below:

- the total costs of the aforesaid investment of S\$2.4 million (approximately HK\$13.8 million) is assumed to be paid on 1 January 2019 for the purpose of this calculation;
- it would require 12 months from the time the costs of investment is made to have the new tortilla chips production line operational. This is based on our estimation of the time required to have our machinery shipped, calibrated and tested before being put into operation;
- the annual revenue to be generated from this tortilla chips production line at approximately a third of our revenue generated from our chips products for the year ended 31 December 2017 and recorded an annual growth rate of 9%, being the average CAGR of the market revenue from tortilla chips in Singapore and Malaysia from 2018 to 2022;
- all 35 employees which consist of 2 supervisors, 10 operators for the production line, 6 packers, 5 quality control employees, 2 technicians for maintenance of our equipment and machinery, 6 storekeepers and 4 administrative staff for the new production line for tortilla chips will be hired on 1 January 2020, when the new production line is operational. Of the 35 employees, we plan to hire 16 local employees and 19 foreign employees; and
- our selling and distribution expenses for the tortilla chips are in line with the allocation of advertising and marketing expenses as disclosed in the section headed “Future plans and use of proceeds” of this prospectus whereby we will incur a high selling and distribution expenses in the first two years from the launch of the tortilla chips to create a new brand and awareness among the consumers of our new chips products.

The breakeven period refers to the period of time required for the new tortilla chips production line to generate sales equal to direct operating costs (including staff costs and selling and distribution expenses, but excluding taxes and depreciation) while the investment payback period refers to the period of time required for accumulated earnings before interest, tax, depreciation and amortisation of the new tortilla chips production line to recover our total cost of investment of approximately S\$2.4 million (approximately HK\$13.8 million).

BUSINESS

Based on the above assumptions, the breakeven period and the investment payback period for the new tortilla chips production line is expected to be 13 months and 4 years and 3 months respectively from the date the tortilla chips production line becomes operational.

We also outline our implementation plans with respect to the new production line as follows:

Implementation steps	Time frame (Month)
Negotiate the terms of the purchase of the tortilla chips production line and complete the sale and purchase agreement	0 to 1
Upgrade of our existing production facilities	2 to 5
Deliver, installation, calibration and testing of the equipment and machinery	2 to 12
Creation of new brand and planning of marketing activities	6 to 12
Source for additional workers	11 to 12

Increase the production capacity and sales of nuts and potato chips

According to the Ipsos Report, chips are the largest category in the Singapore savoury snacks market, accounting for approximately 49.6% of the total market revenue for savoury snacks segment in 2016. Revenues generated from the nuts and seeds category followed closely behind, accounting for approximately 31.2% of the total market revenue for savoury snacks segment in 2016. Beyond 2018, the chips and nuts and seeds categories are anticipated to be the fastest growing categories whereby these categories are expected to grow at CAGRs of approximately 6.2% and 6.2% respectively from 2018 to 2022.

In the Malaysia market, potato-based snacks or chips accounted for approximately 22.8% of the savoury snacks market in 2016. Revenue generated from the nuts and seeds category followed closely behind, accounting for approximately 19.7% of the total market revenue of savoury snacks segment in Malaysia in 2016. Ipsos expects that the chips and nuts and seeds categories to grow at CAGRs of approximately 11.0% and 13.0% respectively from 2018 to 2022.

In the PRC, the savoury snacks segment (which include chips and nuts and seeds) grew at a CAGR of approximately 12.7% from 2011 to 2016. By the end of 2017, savoury snacks were estimated to value at approximately RMB99.9 billion. Ipsos expects the savoury snacks segment in China to grow at a CAGR of approximately 19.4% from 2018 to 2022.

For further details, please refer to the section headed “Industry overview – Overview of the snacks industry in Singapore, Malaysia and China” of this prospectus.

In view of the abovementioned potential growth in demand for nuts and potato chips products, we intend to (i) increase our production capacity for nuts and potato chips products after considering the utilisation rate for the production of our products during the Track Record Period; (ii) increase our promotional, marketing and advertising activities as we believe that such marketing strategies could further enhance our brand recognition and awareness among the consumers which potentially lead to the increase in our sales as evident by our previous experience when we recorded an increase in our revenue when we increase our selling and distribution expenses in 2016 in conjunction with the 50th anniversary of our business (please refer to section headed “Financial information – Period to period comparison of results of operations” of this prospectus for further details); and (iii) establish an e-commerce platform as an additional sales channel in Singapore and Malaysia which will allow us to expand our customer base and capitalise on the growth of e-commerce sales.

During the three years ended 31 December 2017, six months ended 30 June 2018 and ten months ended 31 October 2018, the utilisation rate for the production of our nuts products were approximately 80%, 87%, 84%, 91% and 84% respectively while the utilisation rate for the production of our potato chips were approximately 86%, 83%, 87%, 91% and 90% respectively. Due to the seasonality nature of our business, there are certain months of the year leading to the holiday and festive seasons where our production facilities are fully utilised to meet sales demand. During this time, we are also unable to cope with the demand from our existing customers and required to reschedule certain shipments. For instance, in November 2018, we have rescheduled shipment for orders of at least 6,000 cartons of our products amounting to at least USD230,000. Delay in the shipment to our existing customers also lead to our inability to capture the market demand while it is at its peak during the year. Further, our Group had only launched our Nature’s Wonders product in Malaysia in the fourth quarter of 2017 and therefore our Nature’s Wonders product penetration in Malaysia is still at the initial stage whereby consumers’ awareness may be relatively low. With (i) fully utilised production facilities in certain months of the year leading to the holiday and festive season where we are unable to cope with the demand from our existing customers; (ii) nature of our products where we do not normally produce the finished goods a few months in advance to store as inventory due to their shelf life and also to ensure the quality and freshness of our products when sold to our customers; (iii) our products penetration in Malaysia is at the initial stage whereby we only launched our Nature’s Wonders product in Malaysia in the fourth quarter of 2017, our Executive Directors are of the view that the abovementioned factors resulted in a lower growth of our Group as compared to the industry in Singapore, Malaysia and China.

In view of the (i) long lead time (approximately one year) required to receive, install, calibrate and test our new equipment and machinery prior to being operational; (ii) current utilisation rate for the production of our nuts and potato chips products; and (iii) the potential growth as forecasted by Ipsos, we intend to increase the capacity for the production of nuts and potato chips by purchasing a new oven roaster with an estimated production capacity in the range of 820 kilograms of nuts per hour to 2,700 kilograms of nuts per hour (depending on the types of nuts produced) and a potato chips production line with an estimated production capacity of 550 kilograms of potato chips per hour. The new oven roaster and potato chips production line will lead to an increase of our annual production capacity by approximately 55% to 6,780 tonnes for nuts and 220% to 4,320 tonnes for potato chips.

BUSINESS

We estimate that the total cost of investment for a new oven roaster for the production of nuts to be approximately S\$0.8 million (approximately HK\$4.6 million) out of which approximately S\$0.4 million (approximately HK\$2.3 million) will be funded from net proceeds while approximately S\$0.4 million (approximately HK\$2.3 million) will be funded by debt financing. We further work out our breakeven period and investment payback period based on the assumptions below:

- the total costs of the oven roaster of S\$0.8 million (approximately HK\$4.6 million) is assumed to be paid on 1 January 2019 for the purpose of this calculation;
- it would require 12 months from the time the costs of investment is made to have the oven roaster operational based on our estimation of the time required to have our machinery delivered, calibrated and tested before being put into operation;
- our revenue recorded an annual growth rate of 9%, being the average CAGR of the market revenue from nuts and seeds category in Singapore and Malaysia from 2018 to 2022, and additional revenue recognised from 2020 onwards are generated by the new oven roaster;
- all 6 foreign employees which consist of oven roaster operators will be hired on 1 January 2020 when the new oven roaster is operational; and
- our selling and distribution expenses for nuts are assumed at 5% of our revenue.

The breakeven period refers to the period of time required for the new oven roaster to generate sales equal to direct operating costs (including staff costs and selling and distribution expenses, but excluding taxes and depreciation) while the investment payback period refers to the period of time required for accumulated earnings before interest, tax, depreciation and amortization of the new oven roaster to recover our total cost of investment of approximately S\$0.8 million (approximately HK\$4.6 million).

Based on the above assumptions, the breakeven period and the investment payback period for the new oven roaster is approximately 1 month and 15 months respectively from the date the oven roaster becomes operational.

We estimate that the total cost of investments for our new potato chips production line, to be approximately S\$3.8 million (approximately HK\$21.8 million) out of which approximately S\$1.9 million (approximately HK\$10.9 million) will be funded from net proceeds while approximately S\$1.9 million (approximately HK\$10.9 million) will be funded by debt financing. We further work out our breakeven period and investment payback period based on the assumptions below:

- the total costs of the aforesaid investment of S\$3.8 million (approximately HK\$21.8 million) is assumed to be paid on 1 January 2019 for the purpose of this calculation;
- it would require 12 months from the time the costs of investment is made to have the new potato chips production line operational. This is based on our estimation of the time required to have our machinery delivered, calibrated and tested before being put into operation;
- our revenue recorded an annual growth rate of 7%, being the average CAGR of the market revenue from potato chips category in Singapore and Malaysia from 2018 to 2022, and additional revenue recognised from 2020 onwards are generated by the new potato chips production line;

BUSINESS

- all 22 employees which consist of 2 supervisors, 10 operators for the potato chips production line, 6 packers, 3 quality control employees, 1 technician for maintenance of the new potato chips production line will be hired on 1 January 2020, when the new potato chips production line is operational. Of the 22 employees, we plan to hire 8 local employees and 14 foreign employees; and
- our selling and distribution expenses for potato chips are assumed at 5% of our revenue.

The breakeven period refers to the period of time required for the new potato chips production line to generate sales equal to direct operating costs (including staff costs and selling and distribution expenses, but excluding taxes and depreciation) while the investment payback period refers to the period of time required for accumulated earnings before interest, tax, depreciation and amortization of the new potato chips production line to recover our total cost of investment of approximately S\$3.8 million (approximately HK\$21.8 million).

Based on the above assumptions, the breakeven period and the investment payback period for the new production line is approximately 25 months and 5 years and 11 months respectively.

We also outline our implementation plans with respect to the new oven roaster and potato chips production line as follows:

Implementation steps	Time frame (Month)
Negotiate the terms of the purchase of the new oven roaster and potato chips production line and complete the sale and purchase agreement	0 to 1
Deliver, installation, calibration and testing of the equipment and machinery	2 to 12
Source for additional workers	10 to 12

We intend to establish an e-commerce platform to capitalise on the growth of e-commerce sales. According to the Ipsos Report, e-commerce platforms are expected to drive demand for snack product purchases. Please refer to section headed “Industry overview – The snacks industry prospects in Singapore, Malaysia and China” of this prospectus for further details. As such, our Executive Directors believe that there’s potential growth for our company in establishing an e-commerce platform as an additional sales channel in Singapore and Malaysia which will allow us to expand our customers base and further increase our market share in the snacks industry. We plan to sell our products in large quantities which could cater for parties, corporate and personal consumptions which will be in different packaging and seasonal mixes and only be available online. The e-commerce platform is targeted to expand our market reach to the younger generation of consumers who may be more technologically savvy whereas the products we sell in supermarkets are generally targeted to family-oriented consumers. We believe the e-commerce platform could be an alternative mode of advertisement for us to build our brand awareness among our end consumers and support the growth of our existing sales channels.

We plan to engage an external digital consulting firm for one year to establish and manage our e-commerce platform which include setting up and designing our website, social medial marketing, email marketing, content marketing and search engine optimization to increase the sales of our products. The digital consulting firm will also review our existing website, advertising and social data, analyse results from our past marketing campaign and analyse market leading competitors to jointly develop key online marketing strategies for our Group. We also intend to hire three employees out of which two employees in the information technology department and one in sales department to work closely with the digital consulting firm and gain the relevant experience in managing the e-commerce platform.

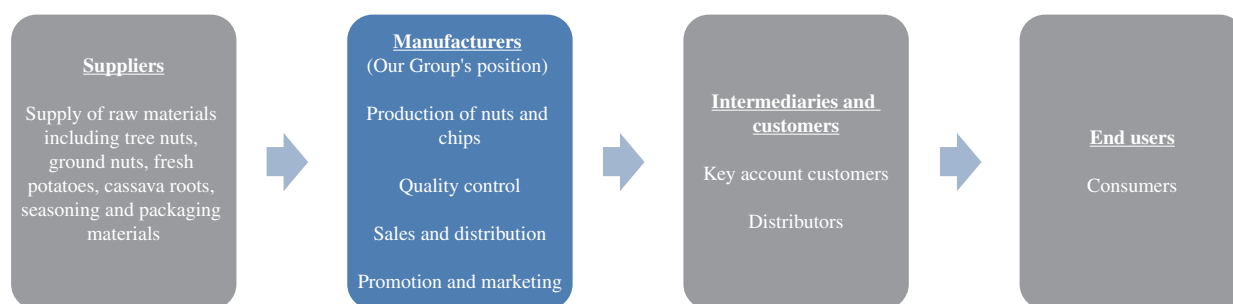
BUSINESS

Further, we also intend to increase our promotional, marketing and advertising activities in Singapore, Malaysia and the PRC to further enhance our brand recognition and awareness among the consumers. We believe such marketing strategies are critical and essential to our future success. For the three years ended 31 December 2017 and six months ended 30 June 2018, we incurred approximately S\$2.2 million, S\$2.7 million, S\$2.2 million and S\$1.1 million respectively in selling and distribution expenses.

OUR BUSINESS MODEL

We are engaged in manufacturing of snacks products, primarily focused on the production, packaging and sale of nuts and chips. Our core products include roasted nuts, baked nuts, cassava chips and potato chips, all of which are manufactured at our two production facilities located in Johor, Malaysia. We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. Our products have been sold and distributed to over 10 countries, including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia.

The following diagram sets out our position within the snacks industry value chain industry and our role:



OUR BRANDS AND PRODUCTS

We operate our business mainly through two categories, namely nuts and chips. We market our nuts products under two core brands, namely, “TAI SUN” and “NATURE’S WONDERS”, and chips products under two core brands, namely, “TREATZ” and “UCA”. The table below sets forth our revenue according to product category during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	37,655,982	74.9%	44,531,504	77.7%	43,158,435	77.7%	20,426,019	75.5%	22,477,969	75.7%
Chips	10,114,144	20.1%	10,217,144	17.8%	10,223,122	18.4%	5,371,936	19.8%	5,713,391	19.3%
Others (Note)	2,534,804	5.0%	2,578,332	4.5%	2,130,389	3.9%	1,273,126	4.7%	1,496,081	5.0%
Total	50,304,930	100.0%	57,326,980	100.0%	55,511,946	100.0%	27,071,081	100.0%	29,687,441	100.0%

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

BUSINESS

Nuts

Our flagship and best-selling product category is nuts. We manufacture a wide variety of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas. We manufacture our nuts by either frying (oil-roasted) or oven baking (oven-roasted) the raw nuts and beans after soaking and peeling of skin. Please refer to the section headed “Business – Production” of this prospectus for further details.

We have two different variants of nuts products, namely the oil-roasted nuts and oven-roasted nuts. The oil-roasted nuts are generally fried in oil and seasoned, marketed under “TAI SUN” brand. Our oven-roasted nuts are a range of unseasoned premium nuts including macadamia nuts and USA walnuts, thus lower in sodium and high in dietary fibre specifically targeted at health-conscious consumers, marketed under “NATURE’S WONDERS” brand.



To suit the different needs of our customers, we package our products in different sizes and packaging. We sell our nuts to our key account customers and distributors on a wholesale basis. Our nuts products have a typical shelf life of approximately 9 months to 18 months. For the three years ended 31 December 2017 and six months ended 30 June 2018, the average selling price per kilogram of our main nuts products are as follows:

	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Macadamia nuts	33.58	33.10	34.69	35.62
Walnuts	27.81	27.25	26.31	25.18
Almonds	19.28	20.79	20.60	21.65
Cashew nuts	19.09	19.44	20.49	22.01
Peanuts	5.58	5.62	5.46	5.16

BUSINESS

Generally, the average selling price of our main nuts products was relatively stable save for the following:

- (i) the average selling price of macadamia nuts which increased to approximately S\$34.69 per kilogram during the year ended 31 December 2017 and further increase to approximately S\$35.62 per kilogram during the six months ended 30 June 2018;
- (ii) the average selling price of almonds which increased from approximately S\$19.28 per kilogram during the year ended 31 December 2015 to approximately S\$20.79 per kilogram during the year ended 31 December 2016;
- (iii) the average selling price of almonds which increased from approximately S\$20.60 per kilogram during the year ended 31 December 2017 to approximately S\$21.65 per kilogram during the six months ended 30 June 2018; and
- (iv) the average selling price of cashew nuts which increased to approximately S\$20.49 per kilogram during the year ended 31 December 2017 and further increase to approximately S\$22.01 per kilogram during the six months ended 30 June 2018.

Such increase was mainly due to the phasing out of certain bigger sized packets of nuts in replacement of smaller sized packets of nuts where the price per kilogram of smaller sized packets of nuts are relatively higher than the price per kilogram of bigger sized packets of nuts.

Further we also recorded a continued decrease in the average selling price of walnuts from approximately S\$27.81 per kilogram during the year ended 31 December 2015 to approximately S\$25.18 per kilogram during the six months ended 30 June 2018 mainly due to decrease in the cost of raw walnuts for the three years ended 31 December 2017 and the appreciation of S\$ against US\$ (the main currency in which our purchases of raw walnuts were denominated in) for the six months ended 30 June 2018. As a result of the decrease in cost of raw walnuts, we sold walnuts products at a lower price with the view of increasing our sales.

Chips

Our chips products include potato chips and cassava chips. The potato chips are made from fresh potatoes and flavoured with original, cheese, black pepper or wasabi seasoning, marketed under “TREATZ” brand. The cassava chips are made from cassava roots and flavoured with original, hot and spicy or grill barbeque seasoning, marketed under “UCA” brand. The production process of our chips products generally begin with peeling the skin of fresh potatoes or cassava roots, then slicing, washing, frying, seasoning and lastly packaging. Please refer to the section headed “Business – Production” of this prospectus for further details.



We sell our chips to our key account customers and distributors on a wholesale basis. Our chips products have a typical shelf life of approximately 12 months. For the three years ended 31 December 2017 and six months ended 30 June 2018, the average selling price of our chips was approximately S\$10.23 per kilogram, S\$10.49 per kilogram, S\$10.59 per kilogram and S\$10.82 per kilogram respectively. The average selling price of our chips products were relatively stable during the Track Record Period.

Other products

We also sell other items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies. We purchase these items from suppliers and sell them to our customers to complement our products.

SEASONALITY

We experience seasonal fluctuations in our revenue and operating income for our products. We generally record higher revenue for our products in the period leading to the holiday seasons, such as the Chinese New Year, Hari Raya Puasa and Christmas. For example,

- (i) our revenue increased by approximately S\$2.6 million or 9.7% from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which falls in February 2018 leading to a longer period of ramp up sales in the beginning of 2018;

- (ii) our revenue decreased by approximately 10.3% for the three months ended 30 June 2018 compared to the three months ended 31 March 2018, due to relatively higher revenue for the three months ended 31 March 2018 resulting from the longer period of ramp up sales in the beginning of 2018. In comparison, in the corresponding period in 2017, our revenue increased by approximately 7.8% for the three months ended 30 June 2017 compared to the three months ended 31 March 2017. As the Chinese New Year in 2017 fell in January 2017, the beginning of 2017 had relatively shorter period of ramp up sales compared to the beginning of 2018; and
- (iii) as our sales typically ramped up ahead of the festive period, during the Track Record Period, our revenue in the second half of the year was more or less compared with the first half of the year depending on the dates of the Chinese New Year and Hari Raya Puasa each year as follows:
- during the year ended 31 December 2015, our revenue in the second half of the year was approximately 13.2% higher compared to the first half of the year of 2015 mainly due to the Hari Raya Puasa which fell in the middle of July 2015 leading to relatively shorter ramp up sales in June 2015;
 - during the year ended 31 December 2016, our revenue in the second half of the year was approximately 6.2% lower compared to the first half of the year of 2016. We recorded relatively more revenue in the first half of the year of 2016 mainly due to the Hari Raya Puasa which fell in early July 2016 leading to longer period of ramp up sales in June 2016; and
 - during the year ended 31 December 2017, our revenue in the second half of the year was approximately 5.1% higher compared to the first half of the year of 2017 mainly due to the Chinese New Year which fell in January 2017 leading to shorter period of ramp up sales in the beginning of 2017.

The seasonal nature of our products causes our production lines to operate at levels approaching full capacity during certain times of the year to meet the demand particularly for the holiday seasons. For instance, the average utilisation rate for our nuts and potato chips production lines were relatively stable save for the six months ended 30 June 2018 where we recorded an average utilisation rate of approximately 91% for both our nuts and potato chips production lines as we generally recorded a higher average utilisation rate in the first-half of the year mainly due to ramp up production for the Chinese New Year and Hari Raya festive periods. As a result of these fluctuations, sales and operating results for any particular period may not necessarily be indicative of our results for the full year or future periods. Our results of operations are likely to continue to fluctuate due to seasonality.

PRODUCTION

Production facilities

We manufacture our nuts and chips in-house at our two production facilities located in Johor, Malaysia, which allows us to quickly respond to changes in market demand and have control over product quality whilst also within close proximity to our head office in Singapore. We outfit our production facilities with automated equipment, which we believe is essential in ensuring the quality of our products and the efficiency of our operations.

BUSINESS

We set forth below details of our main types of equipment and machinery currently in use and owned by us, their principal usage and function, their average length of time in use and their average remaining useful life at our production plants at Johor, Malaysia as at 30 June 2018:

Machinery and equipment	No. of units	Function	Average length of time in use (years)	Average remaining useful life (years)
<i>Nuts:</i>				
Fryers	4	Oil frying of nuts and beans	3	7
Oven roasters	5	Baking of nuts	3	7
Granulators/vibrator sifters/laser sorter	3	Ingredient preparation and/or elimination of foreign objects for food safety	5	5
Packing machines	12	Product packaging	4	6
<i>Chips:</i>				
Potato chips production line	1	Washing and slicing of fresh potatoes, frying, seasoning and packaging of potato chips	17	— (Note)
Cassava chips production line	1	Washing of cassava roots, frying, seasoning and packaging of cassava chips	16	— (Note)

Note:

Although the machinery has been fully depreciated with no remaining useful life from accounting perspective, the machinery is currently operational and in use.

As per the applicable accounting policies adopted by our Group, depreciation of our plant and machinery is calculated using the straight line method over their estimated useful lives, which are generally 10 years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. There is therefore no pre-determined period of use for our equipment but instead it is assessed based on wear-and-tear of individual equipment.

We schedule downtimes for regular inspections, maintenance and repairs of production machineries in accordance with our internal standards taking into account the technical and engineering requirements and procedures set out in the operation manual of the relevant production machinery and equipment. Different machinery and equipment have varying maintenance schedules and downtime periods, typically lasting no more than two days. We have a dedicated maintenance team with experienced technicians to ensure that our machineries and equipment are in good running condition. During the Track Record Period, we did not encounter any material machineries or equipment breakdown that had a material adverse impact on our operations.

BUSINESS

Production capacity and utilisation rate

The table below sets forth our maximum production capacity, actual production volume and our utilisation rate of our production lines for our nuts and chips produced at our respective production sites during the Track Record Period:

Product	Annual maximum production capacity ⁽¹⁾ (Tonnes)	For the year ended 31 December				For the six months ended 30 June 2018				For the ten months ended 31 October 2018	
		2015	2016		2017	2018		2018		2018	
		Actual production volume (Tonnes)	Utilisation rate ⁽²⁾ (%)	Actual production volume (Tonnes)	Utilisation rate ⁽²⁾ (%)	Actual production volume (Tonnes)	Utilisation rate ⁽²⁾ (%)	Actual production volume (Tonnes)	Utilisation rate ⁽²⁾ (%)	Actual production volume (Tonnes)	Utilisation rate ⁽²⁾ (%)
Nuts	4,380	3,514	80	3,792	87	3,693	84	1,993	91	3,066	84
Potato chips	1,350	1,159	86	1,122	83	1,173	87	615	91	1,017	90
Cassava chips	324	83	26	100	31	108	33	34	21	55	20

Notes:

- (1) Our maximum production capacity for nuts is calculated based on the maximum output of our nuts fryer and oven roasters per shift while for chips is calculated based on the maximum output of chips fryer per hour and assuming that our production facilities operate approximately 18 hours per day in two shifts and 300 days per year.
- (2) The utilisation rate is calculated based on the actual production volume for the relevant year/period divided by the maximum production capacity.

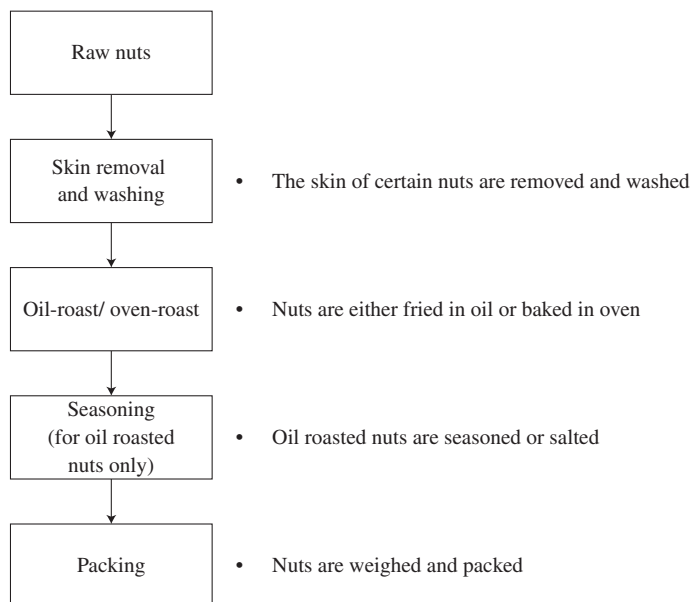
The average utilisation rate were relatively stable save for the six months ended 30 June 2018 whereby we generally recorded a higher average utilisation rate for our nuts and potato chips products in the first-half of the year mainly due to the ramp up production for the Chinese New Year and Hari Raya festive periods. The utilisation rate for our production of nuts and potato chips were higher mainly due to demand for our nuts and potato chips products are higher as well as constraints by the capacity of our existing equipment and machinery.

The utilisation rate for our production of cassava chips was lower as compared to our nuts and potato chips mainly because of lower demand for our cassava chips products, and as confirmed by the Executive Directors, the poor logistics arranged by farmers led to deteriorating quality of cassava roots which may not be suitable for production of cassava chips. As such, we focus more on the sales of our nuts and potato chips products.

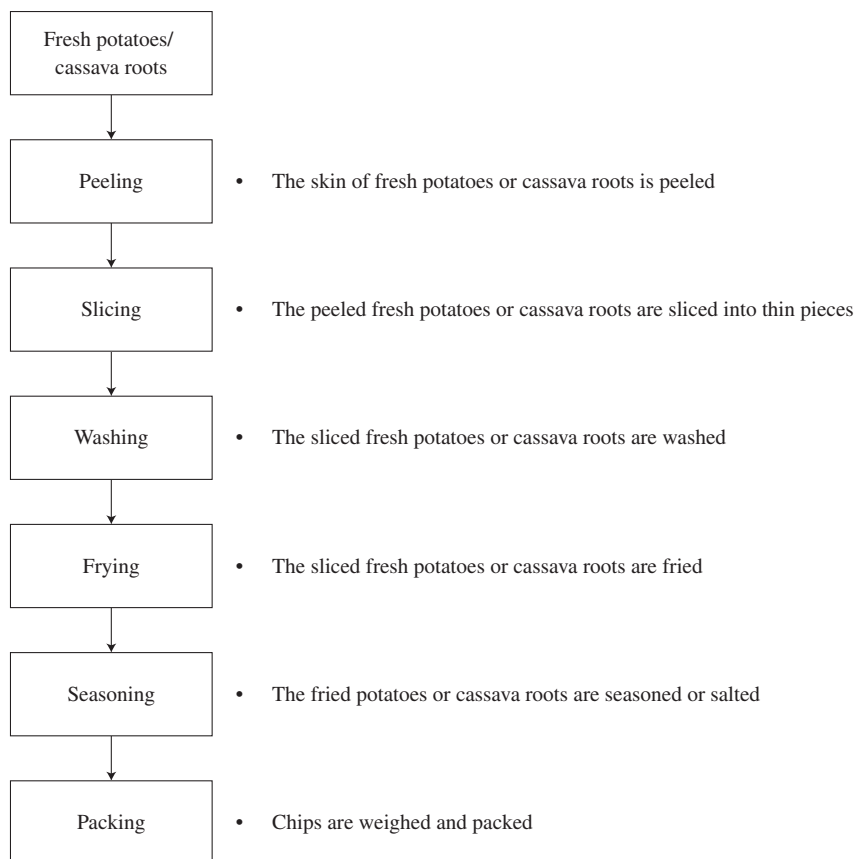
Production process

The following diagram illustrates the general production process of our nuts and chips:

Nuts



Chips



Nuts

For certain types of nuts such as peanuts, the process begins when the raw nuts are soaked in hot water to ease skin removal. They are then placed into automatic peeling machines for skin removal. This phase is rather labour intensive as factory workers are employed to screen through peeled nuts churned out by the automatic peeling machines to manually remove any remaining skin of the nuts to ensure that all skin is removed thoroughly. After ensuring that all skin is removed from the nuts, the nuts are then washed and placed into either oven roaster (for baked nuts) or fryer (for oil-roasted nuts). The fried nuts will then be placed on a cooling table before seasoning and/or salting. Thereafter, the baked nuts and the oil-roasted nuts will be weighed and packed based on our customers' requirements. Our nuts production process is more labour intensive as each process is distinct and manual works such as removing any remaining skins from the nuts and removing the nuts from the fryer or oven roaster, are required to complement our automated machines. Based on the productivity of our nuts fryer and oven roaster, we can produce approximately 2,800 kilograms of oil-roasted nuts per shift and maximum of 4,500 kilograms of baked nuts per shift. We generally operate approximately 18 hours per working day in two shifts.

Chips

Our chips production process is highly automated as the machines from peeling machine to packaging machine are connected into a production line. The production process for potato chips generally begins when our fresh potatoes are passed through a destoner to remove stones and clods. The fresh potatoes then pass through the automatic peeling machines for skin removal. The fresh potatoes are then sliced and thoroughly washed to remove debris and/or starch. Then the sliced chips will be air-dried before frying. The fried chips are then seasoned, weighed and packed. The production process for cassava chips is generally similar to the production process for potato chips. Based on the productivity of the fry section of our chips production lines, we can produce approximately 250 kilograms of potato chips per hour and approximately 60 kilograms of cassava chips per hour. We generally operate approximately 18 hours per working day in two shifts.

Storage and delivery

Raw materials are generally delivered to our production facilities by third party logistic service providers. Our storekeeper will check the delivery vehicle for cleanliness, pest infestation, foreign materials, structural and hatch seal integrity before unloading the raw materials. For further details on the quality control of our raw materials, please refer to the paragraph headed "Quality control" in this section. The raw materials will be kept in either the cold rooms or our warehouses and arranged and identified according to first-in-first-out method.

For our finished goods, upon receiving from production, our storekeeper will ensure that the finished goods match with the documents issued by the production which indicate the product items, quantity, customer's name and expiry date. The finished goods are stored at ambient temperature, out of sunlight. Upon receiving orders from customers, the storekeeper will pick the finished goods required based on first-in-first-out method for shipment and delivery. Finished goods are generally delivered to our local customers using our own trucks. We generally engage third party logistic service providers to deliver our finished goods overseas either to port of departure or destination as specified by our customers.

BUSINESS

QUALITY CONTROL

Quality control management

We are committed to produce high quality snacks which are safe and wholesome. We have established a food safety management system to ensure compliance with our current HACCP and ISO requirements. We implement strict and comprehensive quality control procedures throughout all stages of our production, from the procurement of raw materials to the packaging and delivery of our finished products.

We have a quality assurance team which consists of 12 personnel as at the Latest Practicable Date, overseen by our manufacturing manager, Mr. John Mok who has experience in the areas of production process and quality control. For further details of the qualification of Mr. John Mok, please refer to the section headed “Directors and senior management – Senior management” of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints by our customers in respect of the quality of our products, and there was no incident of failure of our quality assurance systems that had a material and adverse impact on our business operations.

Quality assurance standards

We have been accredited with various international quality management certifications for our production facilities with details as follows:

Certification	Company name	Description	Date of first grant	Issuing body/authority	Expiry date
ISO 9001	TSS	Quality management system for repacking, storage and distribution of snack food	28 June 2005 ^(Note 1)	TÜV SÜD PSB Pte Ltd	6 September 2021
ISO 22000	TSM	Food safety management system in the scope of manufacturer of quality nuts and food snacks	22 August 2013	AJA Registrars Ltd	23 July 2019
FSSC 22000	TZF	Food safety management system in the scope of manufacturer of potato and cassava chips	17 October 2018	DNV GL Business Assurance B.V.	23 September 2021
FSSC 22000	TSM	Food safety management system in the scope of nuts and food snacks (tree nuts, beans, peas and dried fruits)	12 December 2018	DNV GL Business Assurance B.V.	12 December 2021
HALAL certificates	TSM and TZF	Certification that the food products manufactured by TSM and TZF comply with the Islamic laws and Malaysian Halal standard and approved by Halal Certification Panel of the Islamic Religious Department of Johor	1 March 2004 ^(Note 2)	Department of Islamic Development Malaysia	15 November 2020 ^(Note 2)
SS 444	TSS	HACCP based food safety system for repacking, storage and distribution of snack food	27 June 2005 ^(Note 1)	TÜV SÜD PSB Pte Ltd	6 September 2021

Notes:

(1) Date of first grant by AJA Registrars Ltd.

(2) As numerous HALAL certificates are issued for different types of our products with different first grant and expiry dates, the earliest date of first grant and latest expiry date, where applicable, are stated.

Our Executive Directors confirm that we do not expect any material impediment in obtaining or renewing our certifications.

Quality control for materials

We have adopted and maintained stringent procedures for the selection of our suppliers to ensure that the materials used in producing our nuts and chips are of high quality. We maintain an approved suppliers list for suppliers who have passed our assessment criteria. For new suppliers to be admitted into the list, we will review their performance based on (i) product quality by conducting material evaluation based on samples submitted by the suppliers which are then subjected to tests including laboratory testing for microbiological and chemical, transportation and environmental test and accelerated shelf life study; (ii) compliance with food safety regulatory matters; (iii) relevant quality and food safety management system and certifications; and (iv) factory inspection if applicable. Subsequently, on an annual basis, our quality control department will assess the performance of the suppliers based on, among others, their (i) product quality; (ii) on-time delivery; (iii) response quality; and (iv) price, which will then be approved by our Executive Directors.

Our storekeeper will perform inspection of the incoming materials. Before unloading the materials, we will check the delivery vehicle for (i) cleanliness; (ii) pest infestation; (iii) any wet or damaged outer cartons/bags/products; (iv) structural and hatch seal integrity; and (v) no other non-food items such as chemicals or animal feeds carried by the delivery vehicle. The materials shall be checked against their relevant certifications including HALAL certificates, COA and their related product safety information to ensure compliance. In addition, we also ensure that the packaging of the materials are in good condition and the quantity is in accordance with our order. Our quality control team will also perform sampling tests on each batch of raw nuts, fresh potatoes and cassava roots. The raw nuts are generally tested to determine the moisture content and oil content, checked on the aflatoxin content and defects including colour, odour and traces of decay or insect. The fresh potatoes are generally checked for external and internal defects including insect damage, blackheart and hollow heart and samples are test-fried to check the colour of the potatoes and cassava roots. Materials which are rejected by our quality control team will be isolated and arranged for disposal. The accepted materials will be labelled and store according to their storage condition. The materials will be stacked and stored according to the first-in-first-out method. The temperature of the cold rooms will be monitored continuously by our storekeeper.

Quality control for work-in-progress

Each stage of our production process is closely monitored by our workers and quality assurance team who conduct quality sample testing and inspection on our semi-finished products. The types of quality checks include, on a sampling basis, (i) tests on the moisture content of the finished products; (ii) visual inspection on the coloring of the finished products; and (iii) visual inspection on frying oil. Our workers will also manually remove any remaining skin or any extraneous matter throughout the production process. We also conduct continuous inspection throughout the production process such as monitoring the temperature levels and production times. Further, we also have machines such as the laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size differences.

In addition, we adopt strict hygiene and safety standards at our production facilities. Our employees are required to follow strict sanitising procedures, including wearing caps, masks, uniforms and overshoes, and washing hands, before they are allowed to enter our production facilities.

Quality control for finished products

Our finished products are subject to a final comprehensive test by our quality control personnel, who carry out random sampling checks after packaging to check the product weight, the size of the packing, oxygen content of the packaged product and the seal condition of the packaged product. Prior to loading our finished goods on the delivery vehicles, we will check for signs of damage to the delivery vehicle or shipping container which may affect product safety. We also ensure the delivery vehicles or containers are free from odour or substances which may taint the product packaging. The delivery vehicle must be clean and tidy without foreign objects such as tools, nails, dirt or debris and must never be used to carry animals, chemicals or rubbish.

We also implemented procedures to ensure effective pest management programs and practices are in place to eliminate or minimise pest infestation. In addition to having good sanitation practices such as keeping the production area clean, removing excess food and water and checking for signs of pest entry point, we also engage external pest control services regularly.

Besides, on a yearly basis, we will also carry out sampling test on (i) raw nuts for aflatoxin and heavy metals such as arsenic, lead and mercury; (ii) microbiological test on finished goods for presence of any bacteria and pathogens, such as coliform, salmonella, yeast and mould; (iii) physical, chemical and microbiological test on water; and (iv) microbiological test on our machines and air quality.

Quality control for food safety and product recall

We implement strict and comprehensive quality control procedures on food safety throughout all stages of our production to ensure compliance with our current HACCP and ISO requirements in line with our commitment to produce high quality snacks which are safe and wholesome. Our procedures range from (i) sourcing of materials, whereby our incoming materials from our approved suppliers list who have passed our assessment criteria and whose performance we have reviewed annually, will be inspected for cleanliness, pest infestation and defects. In addition, sampling tests are also performed on our raw materials to determine the conditions and contents of the raw materials, for instance, whether there is any aflatoxin content. Materials which do not meet our quality control procedures will be disposed of; (ii) work-in-progress whereby we conduct quality sample testing and inspection on our semi-finished products which include tests on moisture content and visual inspection, removing extraneous matter throughout the production process, monitoring temperature levels as well as putting in place laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size difference. We adopt strict hygiene and safety standards at our production facilities throughout our work-in-progress, whereby our employees are required to follow strict sanitising procedures such as wearing caps, masks, uniforms and overshoes, and washing their hands before they are allowed to enter our production facilities; and (iii) finished products whereby we conduct sampling checks on product weight, oxygen content of the packaged products and seal condition of the packaged products, as well as checking for signs of damage to the delivery vehicles or shipping containers which may affect product safety. For further details, please refer to the abovementioned paragraphs on our quality control for materials, work-in-progress and finished products.

We also perform an annual customer satisfaction review to obtain feedback from our customers to continuously improve the quality of our products and services. The indicators to measure the customer's satisfaction are (i) quality of our products; (ii) quality of our delivery; (iii) our responsiveness; and (iv) price of our products.

BUSINESS

We have also established relevant product recall procedures. Once the designated recall coordinator identify products that require recall, the said designated recall coordinator will inform the relevant parties such as our customers and general public. A recall team is established to assist the recall coordinator in the recall process. Each of our products is labelled with date code and batch code for our ease of tracking and product recall, and for the ease of customers and consumers' checking after we have disseminated the product recall information to the customers and general public. The affected products retrieved will be destroyed and disposed by appropriate means.

MARKETING, SALES AND CUSTOMERS

Marketing and promotion

We market our products through our sales and marketing team which reports to our Executive Director, Mr. Winston Lim. We promote our products and brands through different channels, including advertisements on the side panels of taxis, in-store display, social media platform, printed advertorial, food trade shows, product sampling and event sponsorship. We also obtain customers' feedback through our annual customer satisfaction review as explained in the section headed "Business – Marketing, sales and customers – Product returns, warranty, customer complaints and product recall" of this prospectus. Our selling and distribution expenses for the three years ended 31 December 2017 and the six months ended 30 June 2018 were approximately S\$2.2 million, S\$2.7 million, S\$2.2 million and S\$1.1 million, respectively, representing approximately 4.3%, 4.7%, 4.0% and 3.7% of our total revenue respectively.

Sales and customers

We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. The table below sets forth the breakdown of our revenue attributable to our principal sales channels during the Track Record Period:

	For the three years ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Key account customers	38,466,571	76.5%	42,804,926	74.7%	41,287,370	74.4%	21,245,563	78.5%	23,382,995	78.8%
Distributors	<u>11,838,359</u>	<u>23.5%</u>	<u>14,522,054</u>	<u>25.3%</u>	<u>14,224,576</u>	<u>25.6%</u>	<u>5,825,518</u>	<u>21.5%</u>	<u>6,304,446</u>	<u>21.2%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

BUSINESS

Our products are sold and distributed to customers in over 10 countries. The table below sets forth the breakdown of our revenue by geographical location of our end customers during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Singapore	30,909,557	61.4%	33,512,712	58.5%	32,853,619	59.2%	16,821,781	62.1%	18,403,193	62.0%
Malaysia	11,148,971	22.2%	11,861,251	20.7%	13,126,229	23.6%	5,713,752	21.1%	6,416,596	21.6%
PRC (including Hong Kong)	4,502,463	9.0%	5,369,186	9.4%	4,559,952	8.2%	2,030,047	7.5%	1,891,273	6.4%
Others ^(note)	<u>3,743,939</u>	<u>7.4%</u>	<u>6,583,831</u>	<u>11.4%</u>	<u>4,972,146</u>	<u>9.0%</u>	<u>2,505,501</u>	<u>9.3%</u>	<u>2,976,379</u>	<u>10.0%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note: Others include India, the United Kingdom and Indonesia.

Generally, our customers will place their orders with us through our sales and marketing team, who will then instruct the storekeeper to prepare the required finished goods for delivery. Should there be insufficient quantity in our store, arrangements will then be made with the production team to produce the required products.

For the three years ended 31 December 2017 and six months ended 30 June 2018, revenue from our five largest customers amounted to approximately S\$29.1 million, S\$31.5 million, S\$31.6 million and S\$16.2 million, and accounted for approximately 57.9%, 54.9%, 56.9% and 54.7% of our total revenue, respectively. Revenue from our largest customer for the same period amounted to approximately S\$14.1 million, S\$15.0 million, S\$15.0 million and S\$8.2 million, accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our total revenue respectively.

Details of our top five customers for the year ended 31 December 2015 are set forth below:

Name of customer	Type of customer	Products sold	Length of relationship (Approximate)	Revenue (S\$'000)	Percentage to total revenue (%)
NTUC	Key account customer	Nuts and chips	30 years	14,083	28.0%
Customer A	Key account customer	Chips	4 years	4,699	9.3%
Cold Storage Singapore (1983) Pte Ltd ("Cold Storage")	Key account customer	Nuts and chips	16 years	3,951	7.9%
SOCMA	Distributor	Nuts	14 years	3,472	6.9%
Ace	Distributor	Nuts and chips	11 years	<u>2,895</u>	<u>5.8%</u>
Total				<u>29,100</u>	<u>57.9%</u>

BUSINESS

Details of our top five customers for the year ended 31 December 2016 are set forth below:

Name of customer	Type	Product sold	Length of relationship (Approximate)	Revenue (S\$'000)	Percentage to total revenue (%)
NTUC	Key account customer	Nuts and chips	30 years	15,022	26.2%
Customer A	Key account customer	Chips	4 years	4,676	8.2%
Cold Storage	Key account customer	Nuts and chips	16 years	4,193	7.3%
SOCMA	Distributor	Nuts	14 years	4,055	7.1%
Ace	Distributor	Nuts and chips	11 years	<u>3,517</u>	<u>6.1%</u>
Total				<u>31,463</u>	<u>54.9%</u>

Details of our top five customers for the year ended 31 December 2017 are set forth below:

Name of customer	Type	Product sold	Length of relationship (Approximate)	Revenue (S\$'000)	Percentage to total revenue (%)
NTUC	Key account customer	Nuts and chips	30 years	15,003	27.0%
Customer A	Key account customer	Chips	4 years	4,830	8.7%
SOCMA	Distributor	Nuts	14 years	4,760	8.6%
Cold Storage	Key account customer	Nuts and chips	16 years	3,882	7.0%
Ace	Distributor	Nuts and chips	11 years	<u>3,115</u>	<u>5.6%</u>
Total				<u>31,590</u>	<u>56.9%</u>

BUSINESS

Details of our top five customers for the six months ended 30 June 2018 are set forth below:

Name of customer	Type	Product sold	Length of relationship (Approximate)	Revenue (S\$'000)	Percentage to total revenue (%)
NTUC	Key account customer	Nuts and chips	30 years	8,212	27.7%
Customer A	Key account customer	Chips	4 years	2,524	8.5%
Cold Storage	Key account customer	Nuts and chips	16 years	2,069	7.0%
SOCMA	Distributor	Nuts	14 years	2,058	6.9%
Customer B	Key account customer	Nuts	10 years	1,357	4.6%
Total				16,220	54.7%

NTUC is a supermarket chain in Singapore founded in 1973. From one supermarket, it has grown to become Singapore's largest retailer with a network of over 200 outlets.

Customer A is a private company registered in Malaysia on 11 January 2001 with the principal activity of sale and distribution of biscuits, snacks and other packaged food products. Customer A is a wholly-owned subsidiary of a company listed on the Nasdaq Stock Market with a market capitalisation of approximately US\$59.1 billion as at the Latest Practicable Date.

SOCMA is a private company registered in Malaysia on 24 July 1989 with the principal activity of marketing and sale of household and consumer products. SOCMA is a wholly-owned subsidiary of a company listed on the Singapore Stock Exchange with a market capitalisation of approximately S\$94.1 million as at the Latest Practicable Date.

Cold Storage is a private company limited by shares incorporated in Singapore on 8 January 1947 with principal activity of operation of supermarkets. Cold Storage is a wholly-owned subsidiary of a company listed on the London Stock Exchange with a market capitalisation of approximately US\$12.4 billion as at the Latest Practicable Date.

Ace is a private company limited by shares incorporated in Singapore on 3 July 2006 with principal activity of general wholesale trade.

Customer B provides air transportation, engineering, pilot training, air charter, and tour wholesaling services. Customer B is a public company listed on the Singapore Stock Exchange with a market capitalisation of approximately S\$11.1 billion as at the Latest Practicable Date.

None of our five largest customers during the Track Record Period is also our supplier. All our five largest customers during the Track Record Period are Independent Third Parties.

Due to nature of the snacks industry, supermarket chains are the main channel through which nuts and chips are being sold. NTUC, our largest customer, is the largest supermarket chain in Singapore with a network of over 200 outlets. Therefore, by virtue of their extensive network and our Group having approximately 30 years of relationship with NTUC (and received awards in recognition of our outstanding support and contribution to them), our sales to NTUC accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Moreover, we also sold our nuts and chips products to over 50 distributors who will then on-sell our products to their customers in more than 10 countries, and sales to distributors contributed above 20% of our total revenue during the Track Record Period. We have not been made aware of the locations and identities of the distributors' customers where our products were subsequently sold to. In view of the above, our Directors consider that our current customer profile is appropriate for our industry and our current scale of business operations.

None of our Directors, or any of their respective close associates or any existing Shareholders which, to the best knowledge of our Directors, owns more than 5% of the share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue had any interest in any of our five largest customers during the Track Record Period.

Key account customers

We also sell directly to our key account customers which include supermarkets, hotels, airline and OEM customers on a wholesale basis. For the three years ended 31 December 2017 and six months ended 30 June 2018, sales to our key account customers amounted to approximately S\$38.5 million, S\$42.8 million, S\$41.3 million and S\$23.4 million, accounted for approximately 76.5%, 74.7%, 74.4% and 78.8% of our total revenue respectively. Sales to our OEM customers (being one of our key account customers), amounted to approximately S\$13.4 million, S\$13.4 million, S\$14.5 million and S\$7.9 million, accounted for approximately 34.9%, 31.2%, 35.1% and 33.9% of our sales to our key account customers respectively.

We generally enter into agreements with various trading terms with our key account customers. The duration of such agreements varies from one year to five years. We do not impose minimum purchase commitment and sales targets on our key account customers. Typically, our key account customers place purchase orders with us from time to time that typically set out the types, prices and quantities of products to be ordered. Our key account customers generally are entitled to return the defective products. During the Track Record Period and up to the Latest Practicable Date, no defective products of material respect were returned by our key account customers. The price of our products is generally fixed for a certain period as stipulated in the agreement. Any price adjustments are subject to approval by our customers. We typically grant them credit terms of 30 days to 60 days from the date of invoice. The agreements entered into with our key accounts customers generally can be terminated by either party after giving the other party a certain period of advanced written notice. For our OEM customers, in addition to the abovementioned trading terms, they will provide and approve the specifications of the products and packaging. Our OEM customers are also responsible for providing the finished artwork for the packaging of the products and we are authorised to use their trademarks, copyrights or other intellectual property rights to produce and package their products. During the Track Record Period, there are no material breaches in the terms of the agreements entered into with our key account customers.

Distributors

For countries other than Singapore, we mainly sell our nuts and chips products to our distributors who will then on-sell our products to their customers. We have not been made aware of the locations and identities of the distributors' customers where our products were subsequently sold to. We also engage distributors to sell our nuts and chips products in Malaysia. According to the Ipsos Report, this is consistent with market practice in the snacks industry. We believe that by engaging distributors, we are able to leverage their expertise and knowledge of the target local markets as well as their existing distribution channels and resources, which helps us expanding our market reach over a much wider geographical area. During the Track Record Period, our revenue derived from our distributor customers amounted to approximately S\$11.8 million, S\$14.5 million, S\$14.2 million and S\$6.3 million, representing approximately 23.5%, 25.3%, 25.6% and 21.2% of our total revenue, respectively. For the three years ended 31 December 2017 and six months ended 30 June 2018, revenue from our five largest distributors amounted to approximately S\$8.7 million, S\$10.5 million, S\$10.3 million and S\$4.3 million, and accounted for approximately 17.4%, 18.3%, 18.5% and 14.3% of our total revenue respectively.

We select our distributors according to certain criteria, including the size of their operations, sales network, geographic location, their market expertise and influence within their local territory, expertise within the food distribution industry, creditworthiness, and logistics and delivery capability. Our distributors are responsible for obtaining all the requisite approvals and licences needed to import and sell our products in their respective territories.

For the three years ended 31 December 2017 and six months ended 30 June 2018, we sold our products to 51, 58, 55 and 51 distributors respectively, who then on-sell our products to their customers in over 10 countries worldwide. The table below sets forth the movement in the number of our distributors who purchased our products during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June 2018
	2015	2016	2017	
Distributors at the end of the prior year/period	47	51	58	55
Additional distributors who purchased from us during the year/period	13	11	5	4
Prior year distributors who did not purchase from us during the year/period	(9)	(4)	(8)	(8)
Number of distributors who purchased our products during the year/period	51	58	55	51

BUSINESS

Overall, the number of distributors who purchased our products were relatively stable for the three years ended 31 December 2017 and six months ended 30 June 2018. We recorded higher number of additional distributors who purchased from us during the year ended 31 December 2015 mainly due to contribution by our Executive Director, Mr. Sean Lim who was tasked to increase the sales to distributors when he joined as sales representative in September 2013. For the year ended 31 December 2016, we recorded relatively higher number of additional distributors who purchased from us as well as lower number of prior year distributors who did not purchase from us during the year, which we believe mainly due to the increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create brand and product awareness to our end consumers. The prior year distributors who did not purchase from us during the year or period are mainly small scale distributors and our Executive Directors consider that they made one-off purchase as part of their feasibility testing in distributing our products through their existing distribution channel. Our Executive Directors are of the view that such distributors cease from subsequent purchase due to various factors including high import tax in respective countries, high product registration costs and high shipping costs. During the Track Record Period, we have not terminated any distributors. The decrease in the number of distributors during the year ended 31 December 2017 was mainly due to certain small scale distributors, where we do not impose policies and controls on them, not purchasing from us during that year. As our relationship with the said distributors are on-going, they may resume purchasing from us in the future. The number of distributors was relatively lower during the six months ended 30 June 2018 as compared to the full financial year during the Track Record Period as our distributors normally purchased from us towards the end of the year. The turnover rate of distributors (calculated as prior year distributors who did not purchase from us during the year/period divided by number of distributors who purchased our products during the year/period) during the Track Record Period was approximately 17.6%, 6.9%, 14.5% and 15.7% respectively.

We only enter into long-term distributorship agreements with our major distributors namely Ace Synergy International Pte Ltd and Socma Trading (M) Sdn Bhd. The typical terms of such distributorship agreements are as follow:

Principal terms	Summary
Duration	: Generally two years commencing from the date of the agreement.
Designated distribution territory	: We grant our distributor a licence to market, distribute and sell our products in the designated territories.
Minimum order	: Our distributor shall purchase a minimum quantity of our products as stipulated in the agreement, failing which, we have the sole discretion to terminate the agreement.
Products	: Products by brand and specification to be sold by the distributor are stipulated in the agreement.
Price and payment on invoices	: We shall notify our distributors in writing from time to time within the stipulated timeframe of the prices of our products. Any change in the price of any products shall be communicated to the distributor before such change is effected.

Payment terms are also stipulated in the agreement.

BUSINESS

Marketing of our products : Our distributor shall use its best endeavours to market and sell our products in accordance with its business plan. We shall extend advertising and promotion support to our distributor for sales and marketing purposes capped at specified amount.

Our distributor shall submit its business plan to us for approval, stipulating projected sales quantities for each product, intended sales organisation, proposed distribution channels and target customers and proposed advertising activities and sales promotions.

Return of goods : We generally do not accept any return of our products unless they are proved to be defective.

From the time of receipt of our products, the distributor shall be responsible for any diminishment in the quality of the products in its possession, whether caused by improper transport or storage.

Distributor's general obligations : Our distributor shall (i) comply with all applicable laws, bye-laws, regulations and similar requirements in its territories and obtain all relevant licences, permissions and consents when marketing and distributing our products; (ii) provide us with all necessary information pertaining to packaging and labelling with respect to local requirements within the stipulated territory; (iii) ensure that warehousing and transportation do not negatively affect the quality of our products; (iv) not to distribute or sell our products outside the stipulated territories without our consent; (v) provide us with information on marketing and sales activities of our products and the distributor's business and operations as required from time to time; (vi) not to use any our intellectual property on any of its business documentation without our approval; (vii) not amend, deface or delete any of our intellectual property placed on our products; and (viii) throughout the duration of the agreement and for at least two years thereafter, keep full and accurate records of all products sold and permit us to inspect such records at any time upon reasonable notice.

Termination : Either party may terminate the agreement by giving the other party three months prior written notice.

We may terminate the agreement immediately if the following occurs, among others:

- (i) The distributor is not using its best efforts or is inefficient in marketing and selling our products;
- (ii) The distributor has materially breached the conditions of the agreement; and
- (iii) The distributor becomes bankrupt or insolvent.

BUSINESS

We generally do not impose policies and controls on our distributors beyond their purchase of our products save for the terms stipulated in the distributorship agreements. We have not been made aware of the locations and identities of the distributors' customers where our products were subsequently sold to. We believe that our distributors are better suited to judge the local market trends and sentiments based on their expertise, knowledge and experience of their customers, and we give them latitude in the manner in which they sell our products. We have a seller-buyer relationship with our distributors. We do not control the prices at which our distributors sell our products. We do not retain ownership over the products which we sell to our distributors. The risks and rewards of the products pass to them based on shipment terms. Generally, once we have sold our products to our distributors, all risks are passed to them and they are not entitled to any recourse from our Group if they fail to sell our products to their customers. We generally do not accept product returns or provide refunds for our products except for defective products. During the Track Record Period, no defective products of material respect were returned by our distributors. We regularly evaluate the performance of our distributors by monitoring the frequency of their orders, the types of products ordered and the corresponding quantity. We believe that the issue of cannibalisation among our distributors will be minimal after taking into account (i) the packaging of the products that we sell to our distributors are specific to the requirements in respective countries; and (ii) we generally have more than one distributor and generally not more than four distributors only in certain countries such as Australia, Cambodia and Seychelles after considering the area where our distributors operate whereby chances of overlapping between the distributors will be minimal.

To the best knowledge of our Directors, all of our distributors were Independent Third Parties and none of our distributors was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period. To the best knowledge of our Directors, our distributors are primarily engaged in general wholesale trade and marketing and sale of consumer products. During the Track Record Period, we did not provide financing to any of our distributors except for credit terms that we have granted to them for their purchases of our products.

Pricing and credit terms

In determining our pricing strategies, we take into account a variety of factors, such as demand and supply of our products, anticipated market trends, retail prices of our competitors' products, prevailing market prices of materials and production costs. Our Executive Directors will review our product price lists continually and make necessary adjustments should there be significant changes in the price of our materials and/or external factors which would affect the market price of our products. Please refer to the section headed "Business – Our brands and products" of this prospectus for further details of the selling price of our products during the Track Record Period.

Our sales are mainly billed in S\$ for our Singapore customers, RM for our Malaysia customers and USD for overseas distributors (except Malaysia). Our customers generally settle their payments by cheque or bank transfer. We typically grant a credit period of 30 days to 60 days to our customers.

Product returns, warranty, customer complaints and product recall

We generally do not accept product returns or provide refunds for our products except for defective products. Nevertheless, our Group has adopted a customer complaint policy which includes verifying the customer complaint by conducting checks on the sample of rejected products and if our products are proven to be defective, we will follow up the matter with our customer to replace the products, if required. During the Track Record Period, we did not receive any complaints in material respect from our customers.

We also perform an annual customer satisfaction review to obtain feedback from our customers to continuously improve the quality of our products and services. The indicators to measure the customer's satisfaction are (i) quality of our products; (ii) quality of our delivery; (iii) our responsiveness; and (iv) price of our products.

We have also established relevant product recall procedures. Once the designated recall coordinator identify products that require recall, the said designated recall coordinator will inform the relevant parties such as our customers and general public. A recall team is established to assist the recall coordinator in the recall process. Each of our products is labelled with date code and batch code for our ease of tracking and product recall, and for the ease of customers and consumers' checking after we have disseminated the product recall information to the customers and general public. The affected products retrieved will be destroyed and disposed by appropriate means.

During the Track Record Period and up to the Latest Practicable Date, we did not experience product return, product recall, litigation or claim that was material to our business and operations.

PROCUREMENT AND SUPPLIERS

The main material for our nuts and chips products are various types of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, as well as fresh potatoes and cassava roots. Other materials include seasoning and packaging materials. Our costs of materials accounted for approximately 84.9%, 86.0%, 85.5% and 85.3% of our cost of sales for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively.

The quality and price of our main materials are dependent on the output of the harvest which may be affected by events beyond our control such as natural disaster, infectious diseases, pest infestations and climate change. Therefore, we generally purchase our main materials in bulk to secure the quantity and price of the materials to meet our production requirements for a few months. We do not have any long-term agreements with our suppliers. During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or any material fluctuation in the prices of materials.

For a sensitivity analysis and breakeven analysis in relation to changes in cost of sales, please refer to the section headed "Financial information – Principal components of consolidated statements of profit or loss and other comprehensive income – Cost of sales" of this prospectus for further details.

Procurement

Our warehouse team is responsible to monitor the level of our inventories, plan and place the requisition of materials with our procurement team. We select suppliers from an approved suppliers list who have passed our assessment criteria. For further details, please refer to the section headed "Business – Quality control – Quality control for materials" of this prospectus. As at 30 June 2018, there were over 30 suppliers on our approved supplier list. Our procurement team will prepare purchase orders which will be reviewed and approved by our Executive Directors prior to placing the orders with our suppliers.

BUSINESS

Suppliers

We procure a majority of our raw materials from overseas suppliers who are Independent Third Parties located in countries such as the U.S., the PRC, Australia and Vietnam. For the three years ended 31 December 2017 and six months ended 30 June 2018, purchases from our five largest suppliers amounted to approximately S\$21.8 million, S\$22.0 million, S\$22.1 million and S\$8.3 million, and accounted for approximately 58.4%, 56.4%, 59.5% and 52.3% of our total purchases respectively. Purchases from our largest supplier for the same periods amounted to approximately S\$11.6 million, S\$8.8 million, S\$8.1 million and S\$3.1 million, and accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases respectively. The credit terms given by our suppliers are generally in the range of one week after shipment to 30 days.

Details of our top five suppliers for the year ended 31 December 2015 are set forth below:

Name of supplier	Product sold	Length of relationship (Approximate)	Purchases (S\$'000)	Percentage to total purchases (%)
Primex	Tree nuts	20 years	11,648	31.2%
Supplier A	Ground nuts	10 years	3,902	10.4%
Supplier B	Tree nuts	7 years	2,683	7.2%
Supplier C	Packaging materials	11 years	1,961	5.2%
Supplier D	Tree nuts	3 years	<u>1,634</u>	<u>4.4%</u>
Total			<u>21,828</u>	<u>58.4%</u>

Details of our top five suppliers for the year ended 31 December 2016 are set forth below:

Name of supplier	Product sold	Length of relationship (Approximate)	Purchases (S\$'000)	Percentage to total purchases (%)
Primex	Tree nuts	20 years	8,814	22.6%
Supplier A	Ground nuts	10 years	4,198	10.8%
Supplier D	Tree nuts	3 years	3,440	8.8%
Supplier B	Tree nuts	7 years	2,992	7.7%
Supplier E	Tree nuts	4 years	<u>2,526</u>	<u>6.5%</u>
Total			<u>21,970</u>	<u>56.4%</u>

BUSINESS

Details of our top five suppliers for the year ended 31 December 2017 are set forth below:

Name of supplier	Product sold	Length of relationship (Approximate)	Purchases (S\$'000)	Percentage to total purchases (%)
Primex	Tree nuts	20 years	8,125	21.9%
Supplier B	Tree nuts	7 years	3,825	10.3%
Supplier A	Ground nuts	10 years	3,672	9.9%
Supplier D	Tree nuts	3 years	3,410	9.2%
Supplier E	Tree nuts	4 years	<u>3,046</u>	<u>8.2%</u>
Total			<u>22,078</u>	<u>59.5%</u>

Details of our top five suppliers for the period ended 30 June 2018 are set forth below:

Name of supplier	Product sold	Length of relationship (Approximate)	Purchases (S\$'000)	Percentage to total purchases (%)
Primex	Tree nuts	20 years	3,065	19.2%
Supplier B	Tree nuts	7 years	1,527	9.6%
Supplier A	Ground nuts	10 years	1,351	8.5%
Supplier E	Tree nuts	4 years	1,276	8.0%
Supplier D	Tree nuts	3 years	<u>1,114</u>	<u>7.0%</u>
Total			<u>8,333</u>	<u>52.3%</u>

Primex is a private company established in 1989 in Los Angeles, California, the U.S.. Primex is a grower, processor and international trader and exporter of nuts and dried fruits.

BUSINESS

Supplier A is a private company established in 1998 in the PRC as manufacturer of peanut, peanut kernels, blanched peanut and peanut in shell.

Supplier B is a private company established in 1957 in Australia. Supplier B supplies macadamia kernel to food manufacturers as well as snack, bakery, ingredient, retail and confectionary industry sectors.

Supplier C is a private company registered in Malaysia on 25 June 2007 as trader of plastic products.

Supplier D is a private company registered in Vietnam on 7 October 1997 to supply cashews.

Supplier E is a private company registered in Myanmar on 11 December 2007 as an exporter of cashews.

Supplier F is a partnership registered on 25 November 1997 in Singapore as wholesaler of fruits and vegetables.

None of our five largest suppliers during the Track Record Period is also our customer. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

To ensure consistency in the quality of our snacks, our Executive Directors consider that it is common to purchase materials from the same supplier. As such, we have approximately 20 years of relationship with Primex and our purchases from Primex accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Further, we have alternative suppliers in our approved suppliers list for most of our main materials. During the Track Record Period, we did not experience any significant difficulties in obtaining our materials, and we did not encounter any significant problems with the quality of our materials.

None of our Directors, or any of their respective close associates or any existing Shareholders which, to the knowledge of our Directors, owns more than 5% of the share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue had any interest in any of our five largest suppliers during the Track Record Period.

INVENTORY CONTROL AND MANAGEMENT

Our inventories mainly comprise raw materials and finished goods. Our raw materials consist of raw peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, fresh potatoes and packaging materials. Our finished goods are products that have been sealed and packed and ready to be delivered to our customers.

We generally set a minimum level of quantities of inventories to be maintained. The level of our inventories will be continuously monitored by our warehouse team. For raw materials, we will generally keep sufficient level of inventories to meet our production requirement during the shipment lead time which is typically one month. For our finished goods, as stipulated in certain contracts with our customers, we are required to maintain a minimum level of finished goods to meet their urgent requirements. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our inventories amounted to approximately S\$10.6 million, S\$9.5 million, S\$11.4 million and S\$10.2 million, representing approximately 26.0%, 23.5%, 25.8% and 23.3% of our total assets, respectively.

BUSINESS

We will conduct a stock count annually and any discrepancy or damages noted during the stock count will be adjusted and reflected in our financial statements. All expired products will be discarded and written off in our financial statements. We adopt a first-in-first-out policy for our inventory management and therefore reduce the risk of deterioration and defects of our products. For the three years ended 31 December 2017 and six months ended 30 June 2018, we recorded average inventory turnover days of approximately 77 days, 85 days, 91 days and 92 days, respectively. During the Track Record Period, we did not recognise any impairment losses on obsolete stocks.

INSURANCE

Our insurance policies as at the Latest Practicable Date include:

- comprehensive general liability insurance to cover for injury to any third party arising from the sale of our products;
- public liability insurance to cover against (i) accidental bodily injury to third party; (ii) accidental damage to property belonging to third party; and (iii) all costs and expenses of litigation incurred or recovered;
- work injury compensation policies, group personal accident and foreign worker medical insurance for our workers;
- machinery all-risk policies to cover certain machines and equipment;
- fire insurance policies to insure our properties, inventories stored in our warehouses, plant and equipment, office equipment, furnitures and fittings;
- marine cargo insurance to cover against risk of loss or damage of our raw materials in transit;
- burglary insurance to cover our inventories stored in our warehouses; and
- money insurance to cover against risk of loss of money in transit and money in our premises.

Our Directors are of the view that our current insurance cover is adequate and in line with our industry practices. During the Track Record Period, our insurance expenses were approximately S\$73,000, S\$81,000, S\$85,000 and S\$30,000, respectively.

Certain risks disclosed in the section headed “Risk factors” of this prospectus, such as ability to enhance and maintain our brands, fluctuations in materials prices, credit risks and liquidity risks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to section headed “Business – Risk management and internal control systems” of this prospectus for further details regarding how our Group manages certain uninsured risks.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not have a dedicated research and development team.

BUSINESS

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned and occupied three properties. The following table sets out the properties that we owned and occupied for our production facilities, warehouses and office premises as at the Latest Practicable Date:

	Address	Approximate total site area (square metres)	Usage
1.	255, Pandan Loop, Singapore 128433	2,325	Head office and warehouse
2.	No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	5,868	Warehouse, food manufacturing and processing
3.	No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	4,050	Warehouse, food manufacturing and processing

In addition, we also owned a property located at No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia, with site area of approximately 1,769 square metres which is currently rented out to an Independent Third Party at a monthly rent of RM18,000 commencing from 1 May 2017 for a term of two years with an option to renew for a further term of one year.

For further details of our owned properties, please refer to the property valuation report set forth in Appendix III to this prospectus.

Leased properties

As at the Latest Practicable Date, we rented premises from TST, being a related party, details of which are as follows:

	Address	Purpose	Site area (square metres)	Monthly rent	Tenure
1.	No. 8, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	Cold room storage	1,769	RM16,000	Commencing from 1 July 2018 a term of two years with an option to renew for a further term of one year
2.	No. 10, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	Manufacturing of snack foods and warehouse storage	1,769	RM15,000	Commencing from 1 September 2017 for a term of two years with an option to renew for a further term of one year

Please also refer to the section headed “Connected transaction” of this prospectus for further details.

BUSINESS

We also rented a property located at No. 2, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia as storage or warehouse purpose from an Independent Third Party with a monthly rent of RM15,000 commencing from 1 August 2018 for a term of six months, with an option to extend for a further term of three months.

As at the Latest Practicable Date, we also rented accommodation for our workers from Independent Third Parties, details of which are as follows:

	Address	Monthly rent	Tenure
1.	9G Yuan Ching Road, #08-70 Singapore 618649	S\$2,600	Commencing from 8 October 2017 for a term of two years
2.	No. 47, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM900	Commencing from 1 August 2017 for a term of two years
3.	No. 81, Jalan Saga 9, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM1,100	Commencing from 1 December 2017 for a term of two years with an option to renew for another two years
4.	No. 49, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM900	Commencing from 1 August 2017 for a term of two years
5.	No. 56, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM1,250	Commencing from 19 November 2018 for a term of two years with an option to renew for another two years
6.	No. 19, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM1,100	Commencing from 1 September 2018 for a term of two years with an option to renew for a further term of two years
7.	1st floor, No. 18A, Jalan Johar 3/2, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM1,650	Commencing from 8 August 2017 for a term of two years with an option to renew for a further term of one year
8.	No. 31, Jalan Saga 5, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia	RM850	Commencing from 1 August 2018 until 31 July 2020, with an option to renew for a further term of two years

With effect from 25 November 2018, we had early terminated a tenancy agreement for a property used as accommodation for our workers in Malaysia. The early termination was due to the increment of rent proposed by the landlord during the negotiations for the renewal of the tenancy for another two years which is higher than the rent of a comparable property within close proximity. Our Group opted for early termination for this property as we intend to secure the lower rental rate for the next two years on the comparable property.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 216 employees (including our Executive Directors). The table below sets out a breakdown of our employees (including our Executive Directors but not our Independent Non-Executive Directors) by function and by geographic location as at the Latest Practicable Date:

	Number of employees in Singapore	Number of employees in Malaysia	Total number of employees
General management	4	– (Note)	4
Finance	9	4	13
Human resources and administration	4	11	15
Procurement	1	2	3
Logistics	20	2	22
Sales and marketing	12	–	12
Quality assurance	–	12	12
Factory, warehouse, operations and production	8	127	135
Total	58	158	216

Note: The employees in Malaysia are overseen by the same general management team in Singapore.

Recruitment policies and foreign workers

Our human resources department assesses our available human resources on a continual basis and, together with our Executive Directors, determine whether additional employees are required to support our business operations. Our human resources department also reviews the policies and procedures on hiring of staff, training and performance appraisals.

Our foreign workers are sourced and recruited through Independent Third Party agencies. The supply of foreign workers in Singapore and Malaysia is subject to various regulations and policies. Please refer to section headed “Regulatory overview” of this prospectus for further details. As at the Latest Practicable Date, the letter of consent, work permits (including in-principle approval) and S passes held by the foreign workers of TSS are valid.

In Singapore, the availability of foreign workers is regulated by the MOM through the dependency ceilings based on the ratio of local and foreign workers. The dependency ceiling refers to the maximum permitted number of foreign workers to the total workforce that a company in a stipulated sector is allowed to hire. Currently, the dependency ceilings for the manufacturing industry in Singapore is set at a ratio of two full-time local workers to three foreign workers. Based on the then-prevailing dependency ceiling regulations, TSS could (i) hire 56 additional foreign workers as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively and 55 additional foreign workers as at the Latest Practicable Date; and (ii) hire a maximum of 70 foreign workers as at 31 December 2015, 2016 and 2017, 30 June 2018 and the Latest Practicable Date respectively.

In Malaysia, the availability of foreign workers is regulated by the Ministry of Home Affairs. The quota of foreign workers for each company is subject to the approval of the Ministry of Home Affairs. With effect from 31 December 2015 to 29 June 2016, TSM has been approved to employ 50 foreign workers, with effect from 15 May 2017 to 14 November 2018, TSM has been approved to employ additional 50 foreign workers, with effect from 28 August 2018 to 27 February 2020, TSM has been approved to employ additional 49 foreign workers. All these approvals are subject to TSM submitting the application for Visa With Reference (“VDR”) of the foreign workers at the Immigration Department of Malaysia and/or copies of the passports of the foreign workers to the Immigration Department of Malaysia two weeks before the dates of arrival of the foreign workers. With effect from 9 November 2016 to 8 May 2018, TZF has been approved to employ 30 foreign workers subject to TZF submitting the application for VDR of the foreign workers at the Immigration Department of Malaysia. As at the Latest Practicable Date, we have 77 foreign employees in Malaysia. All our foreign employees have valid employment permits.

Employees’ remuneration and benefits

Our employees are remunerated according to their job scope, responsibilities, and performance. Our local employees in Singapore and Malaysia are also entitled to discretionary bonus depending on their respective performance and profitability of our Group. Our foreign workers in Singapore are typically employed on a two-year basis while our foreign workers in Malaysia are typically employed on a three-year basis, depending on the period of their work permits, and subject to renewal based on their performance, and are remunerated according to their work skills. We also provide medical insurance coverage for all of our employees.

Mandatory provident fund

Our Group participates in the mandatory provident fund for our employees depending on their location in accordance with the (i) Central Provident Fund Act of Singapore; (ii) Employees Provident Fund Act 1991 of Malaysia; and (iii) Employees’ Social Security Act 1969 of Malaysia. We have paid the relevant contributions accordingly.

Employee training

Our employees received training depending on their department and the scope of works. Typically, our employees are required to attend trainings on personal hygiene, food hygiene and safety, and employee illness and communicable disease.

Employee relations

We believe that we have a good working relationship with our employees. Our employees are not members of any labour union. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant difficulty in recruiting new employees, any significant employee turnover, nor was there any incidence of strikes, work stoppages or significant labour disputes which materially affected our Group’s operations.

ENVIRONMENTAL, HEALTH AND WORK SAFETY MATTERS**Environment**

We are subject to environmental protection laws and regulations in Malaysia. We maintain a wastewater treatment plant at our production facility in Johor, Malaysia where liquid waste is treated before it is discharged. We also have procedures on pest control to eliminate or minimise any existing infestation and prevention or limitation of re-infestation. We are committed to operate in compliance with all applicable environmental laws and regulations.

Our Executive Directors confirm, and our Malaysian legal advisers concur, that we have complied with the relevant requirements of the Environmental Quality Act 1974; and Environmental Quality (Sewage) Regulations 2009 and Environmental Quality (Industrial Effluent) Regulations 2009. In addition, we have not been subject to any material claims or penalties in relation to environmental protection and we were not involved in any material environmental accidents or fatalities during the Track Record Period.

Health and work safety

Our workers' safety and health are one of our main concerns, and we emphasise on matters related to work safety. We have implemented procedures and guidelines in relation to (i) personal hygiene; (ii) work instructions in handling our machines and safety gadgets required such as safety shoes and hand gloves; and (iii) handling of employees' illness and communicable disease. We also carry out regular maintenance on our machines and equipment to ensure that they are thoroughly tested and safe for use. We require our employees to strictly comply with our work safety procedures and guidelines. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material accidents.

LICENCES, PERMITS AND APPROVALS

Our Executive Directors confirm that, as at the Latest Practicable Date, we had obtained all material licences, permits and approvals from the relevant authorities for our business operations. We did not experience any material difficulty in obtaining or renewing our required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date. Our Executive Directors confirm that we do not expect any material impediment in renewing our material permits and licences as they expire in the future. We set forth below information relating to our material licences, permits and certificates:

Type	Issuing body	Company	Effective date	Expiry date
Licence to operate a food establishment	Agri-Food & Veterinary Authority of Singapore	TSS	–	30 June 2019
Licensed food establishment grade	Agri-Food & Veterinary Authority of Singapore	TSS	–	30 June 2019
Registration to import processed food products and food appliances	Agri-Food & Veterinary Authority of Singapore	TSS	–	31 July 2019

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Type	Issuing body	Company	Effective date	Expiry date
Manufacturing licence of snack foods	Ministry of International Trade and Industry of Malaysia	TSM	28 September 2000	No expiry date
Registration of food premises	Food Safety Information System of Malaysia, Ministry of Health	TSM	9 November 2017	8 November 2020
Registration of food premises	Food Safety Information System of Malaysia, Ministry of Health	TZF	9 November 2017	8 November 2020
Business and advertisement licence	Johor Bahru City Council	TSM	1 January 2018	31 December 2018
			1 January 2019	31 December 2019
Business and advertisement licence	Johor Bahru City Council	TZF	1 January 2018	31 December 2018
			1 January 2019	31 December 2019
Scheduled controlled articles permits (diesel fuel, sugar, cooking oil and wheat flour)	Ministry of Domestic Trade, Co-operatives and Consumerism	TSM	28 October 2018	27 October 2019
Fire certificate	Fire and Rescue Department of Malaysia	TSM	3 June 2018	2 June 2019
Fire certificate	Fire and Rescue Department of Malaysia	TZF	7 November 2018	6 November 2019
Permit to purchase, store and use of sodium hydroxide	Director of Health Department, Johor	TSM	1 January 2018	31 December 2018
			1 January 2019	31 December 2019
Licence to deal, import, export and process fish	Fisheries Development Authority of Malaysia	TSM	June 2018	June 2019
Licence to permit the purchase, transport and store processed palm oil	Malaysian Palm Oil Board	TSM	1 July 2018	30 June 2019

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Type	Issuing body	Company	Effective date	Expiry date
Licence to permit the purchase, transport and store processed palm oil	Malaysian Palm Oil Board	TZF	1 January 2018	31 December 2018
			1 January 2019	31 December 2019
Operator's licence	Land Public Transport Commission	TSM	7 May 2018	11 August 2023
Operator's licence	Land Public Transport Commission	TZF	30 March 2016	29 March 2021
Approval for renewal of importer/exporter code (direct-user) for the CIS	Royal Malaysian Customs Department	TSM	12 December 2017	31 December 2019
Approval for renewal of importer/exporter code (direct-user) for the CIS	Royal Malaysian Customs Department	TZF	24 May 2018	30 June 2020
Certificates of fitness of good hoist, vertical air receiver, oil separator and scissor lift	Department of Occupational Safety and Health, Johor	TSM	4 October 2017	27 December 2018 ⁽¹⁾
Certificate of fitness of fire tube steam boiler	Department of Occupational Safety and Health, Johor	TZF	5 September 2018	29 November 2019
Certificates of fitness of horizontal air receiver tank, electric chain hoist, good hoist and air receiver tank	Department of Occupational Safety and Health, Johor	TZF	4 October 2017	27 December 2018 ⁽¹⁾
Certificate of fitness of good hoist	Department of Occupational Safety and Health, Johor	TZF	3 January 2018	2 April 2019

Please also refer to the section headed “Regulatory overview” of this prospectus for details of the regulations relevant to our business.

Note:

- (1) We had on 22 November 2018 submitted for renewal of the said certificate to the Department of Occupational Safety and Health, Johor. As at the Latest Practicable Date, the renewal of the said certificate is still pending.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was a party to any material litigation, arbitration or administrative proceedings, or claims, and our Executive Directors are not aware of any pending or threatened litigation, arbitration or administrative proceedings or claims against our Group that would have a material adverse effect on our business operations, results of operations and financial conditions.

NON-COMPLIANCES

We are subject to various laws and regulations in the ordinary course of our business. Please refer to section headed “Regulatory overview” of this prospectus for further details of the law and regulations in Singapore and Malaysia currently relevant to our Group’s operations and industry. Save as disclosed below, to the best knowledge of our Executive Directors, our Group has complied with the relevant laws and regulations applicable to our business and industry in Singapore and Malaysia in all material respects during the Track Record Period and up to the Latest Practicable Date.

Extensions of properties without obtaining prior approval

Non-compliance incident	Reasons	Legal consequences and potential maximum penalties	Remedial actions and current status
There are certain extensions with an aggregate gross floor area of approximately 8,000 square feet done on the property located at No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia without obtaining prior approval from the relevant regulatory authority in Malaysia.	We commenced construction of the extensions on the property without obtaining the required approval from the relevant regulatory authority in Malaysia because we were not adequately advised on the relevant laws and regulations in relation to such extensions. The extensions on the property was initially used as storage space for our packaging materials.	Our legal adviser as to Malaysian law advised that pursuant to the Street, Drainage and Building Act 1974 (“SDBA”) amongst others: (i) any person who makes any alteration to any building otherwise than as provided for in the SDBA or by-laws made thereunder or without the prior written permission of the local authority shall be liable on conviction to a fine not exceeding RM25,000 and a Magistrate’s Court shall, on the application of the local authority, issue a mandatory order to alter the building in any way or to demolish it; and/or (ii) any person who occupies or permits to be occupied any building or any part thereof without a certificate of completion and compliance, shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.	On 10 July 2018, we have submitted an online application in relation to the extensions done on the property to the relevant regulatory authority in Malaysia for approval. On 26 September 2018, the relevant regulatory authority in Malaysia has approved the building plans in relation to the existing extensions done on the property. As at the Latest Practicable Date, no fine had been imposed on us nor any order been issued by the relevant regulatory authority in Malaysia in relation to the extensions done on the property.

Non-compliance incident	Reasons	Legal consequences and potential maximum penalties	Remedial actions and current status
There are certain extensions with a gross floor area of approximately 4,000 square feet on the property located at No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia without obtaining prior approval from the relevant regulatory authority in Malaysia.	We are not aware of the illegality of the extensions on the property because we were not adequately advised on the relevant laws and regulations in relation to such extensions. The extensions on the property was initially used as storage space for our packaging materials.	Our legal adviser as to Malaysian law advised that pursuant to the Street, Drainage and Building Act 1974 (“SDBA”) amongst others: (i) any person who makes any alteration to any building otherwise than as provided for in the SDBA or by-laws made thereunder or without the prior written permission of the local authority shall be liable on conviction to a fine not exceeding RM25,000 and a Magistrate’s Court shall, on the application of the local authority, issue a mandatory order to alter the building in any way or to demolish it; and/or (ii) any person who occupies or permits to be occupied any building or any part thereof without a certificate of completion and compliance, shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.	On 13 July 2018, we have submitted an online application in relation to the extensions done on the property to the relevant regulatory authority in Malaysia for approval. On 26 September 2018, the relevant regulatory authority in Malaysia has approved the building plans in relation to the existing extensions done on the property. As at the Latest Practicable Date, no fine had been imposed on us nor any order been issued by the relevant regulatory authority in Malaysia in relation to the extensions done on the property.

Based on our legal adviser as to Malaysian law’s checking on the available Malaysian reported case sources to date, it appears that there are no case laws that have decided on identical breaches under the SDBA. However, there are case laws which mentioned or decided on amongst others, illegal renovations and illegal conversion of 2-storey buildings to 3 storeys, and building works and extensions which were carried out without the prior approval of the local council. In such cases, fines, demolition order and/or injunction had been imposed by the relevant authorities and criminal proceedings were brought by the relevant authorities against the defendants.

Notwithstanding the above, most cases of non-compliance under the SDBA would most likely have been settled at the local council’s level and do not proceed to court hearings. As the fines and/or orders of the local councils are not available on public record, the likelihood and type of penalties for non-compliance may vary from council to council.

As such, TSM and/or TZF may be subject to the penalties stated above and the local authority may also serve a notice to demolish such extensions within such time as the local authority may specify. However, as the building plans in relation to the existing extensions done on properties have been approved by the local council, our legal adviser as to Malaysian law is of the view that it is unlikely that the local council will impose any fines or demolition orders or imprisonment orders against TSM and/or TZF.

As a result of the abovementioned non-compliances, we have implemented internal control measures to engage an additional professional architect to advise us on the legality of any proposed extensions on the property in the future. In addition, all property renovation or extension works are to be approved by our Executive Directors. The Executive Directors or staff appointed to oversee such property renovation or extension work shall liaise closely with the professional architect to ensure that proper approval is obtained prior to commencement of such works.

Sale of food product with foreign material

On 22 November 2016, a member of public reported to the Agri-Food and Veterinary Authority of Singapore (“AVA”) that a small piece of stone was found in a packet of a nuts product manufactured by us (the “**Foreign Material Incident**”). On 30 November 2016, the AVA publicly announced the recall of the affected batch of the nuts product. On 7 December 2016, we received a warning letter from the AVA stating that (i) it had decided not to take any enforcement action against our Group in relation to this incident; and (ii) we are required to take immediate action to recall the products for destruction under the AVA’s supervision (the “**AVA Warning Letter**”). We had acted in accordance with AVA’s instructions to recall and destroy all relevant 818 packets of the nuts products with total sales value of S\$613.50.

As the AVA had indicated in the AVA Warning Letter that it was prepared to exercise leniency and not take up enforcement action against our Group in relation to the Foreign Material Incident, and on the basis that our Group has fully complied with the AVA’s instructions in the AVA Warning Letter, the legal advisers to our Company as to Singapore laws have advised the Company that it is unlikely that our Group will face any prosecution or penalty in relation to the Foreign Material Incident unless there are subsequent violations of a nature similar to that of the Foreign Material Incident.

Our Executive Directors were of the view that the size of the stone may be too small to be detected through the sorting process which resulted in the abovementioned incident. Subsequently, we purchased a digital laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size differences. The digital laser sorter enables data to be digitized immediately upon inspection to eliminate any loss of information ensuring significant higher ejection accuracy. We have also change to a new supplier and communicated with other suppliers to tighten their control on the materials supplied by them. We have not experienced similar incident since the implementation of the abovementioned internal control measures.

INTELLECTUAL PROPERTIES

Our intellectual properties are crucial to us as we rely on consumers’ recognition of our brands and products. As at the Latest Practicable Date, we had 23, 7, 8, 5 and 3 registered trademarks in Singapore, Malaysia, the PRC, Hong Kong and Cambodia respectively, and had applied for registration of 3 and 1 trademarks in Singapore and Cambodia respectively. We have also registered one domain name, **www.taisun.com.sg** in Singapore.

Details of our intellectual properties are set out in the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix V to this prospectus. As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

U.S. and other jurisdictions or organisations, including the European Union, the United Kingdom, Australia and the United Nations have comprehensive or targeted economic sanctions that are applicable to Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independent of their location. We have engaged in business with a supplier and certain distributors involving certain Sanctioned Countries, namely Yemen and Myanmar.

During the Track Record Period, we engaged with Supplier E (one of our top five suppliers), who is located in a Sanctioned Country, namely Myanmar. In addition, we engaged with distributors who were located in the Sanctioned Countries, namely Yemen and Myanmar. We have not been made aware of the locations and identities of the distributors' customers where our products were subsequently sold to. Our purchases from Supplier E amounted to approximately S\$1.6 million, S\$2.5 million, S\$3.0 million and S\$1.3 million representing approximately 4.3%, 6.5%, 8.2% and 8.0% of our total purchases during the three years ended 31 December 2017 and six months ended 30 June 2018 respectively, whilst revenue from these distributors amounted to approximately S\$1.5 million, S\$2.5 million, S\$1.9 million and S\$0.9 million representing approximately 3.0%, 4.4%, 3.4% and 3.1% of our total revenue during the Track Record Period respectively. Collectively, we refer to these entities as the "Relevant Customers and Suppliers." To the best knowledge of our Executive Directors, none of the customers and suppliers relate to the military or the government of the Sanctioned Countries.

Our Executive Directors confirm that other than our sales to and purchases from the Relevant Customers and Suppliers, we did not purchase from suppliers, or directly sell or deliver our products to customers, in any other Sanctioned Countries during the Track Record Period.

Our International Sanctions Legal Advisers performed the following procedures to evaluate our risk of exposure to penalties imposed under the laws of regulations relating to our activities in Myanmar and Yemen:

- (a) reviewed documents provided by us about our Group, our business operations, customers, and ownership structure and management;
- (b) reviewed our Relevant Customers and Suppliers during the Track Record Period against the lists of persons and organisations subject to the International Sanctions applicable to Yemen and Myanmar, and confirmed that none of these entities was on such lists and therefore was not and would not be deemed to be sanctional targets on the lists subject to the International Sanctions applicable to Yemen and Myanmar;
- (c) reviewed the shipping and financial parties identified by us as participants to the transactions against the lists of persons and organisations subject to the International Sanctions applicable to Yemen and Myanmar, and confirmed that none of these entities was on such lists and therefore was not and would not be deemed to be sanctional targets on the lists subject to the International Sanctions applicable to Yemen and Myanmar; and
- (d) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which formed part of our Group) conducted during the Track Record Period any business dealings in or with any other persons that were subject to the International Sanctions applicable to Myanmar and Yemen.

BUSINESS

Based on the actions set out above, our International Sanctions Legal Advisers have advised us that our actions in Myanmar and Yemen as disclosed above during the Track Record Period do not appear to have violated the International Sanctions.

In addition, given the use of proceeds as set out in this prospectus, our Directors, based in part on the advice from our International Sanctions Legal Advisers, are of the view that the involvement by parties in the Share Offer will not implicate any applicable International Sanctions on such parties, including our Group, our Group's investors, shareholders, the Stock Exchange and its listing committee and group companies, HKSCC, HKSCC Nominees or any person involved in the Share Offer and accordingly, our Directors are of the view that the sanctions risk exposure to our Group, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Group's shares (including the Stock Exchange, its listing committee and related group companies) is very low. Our Directors are not aware of any published facts that lead our Directors to believe that our Group and the Relevant Customers and Suppliers are sanctioned targets of the U.S., the European Union, the United Kingdom, Australia and the United Nations. In addition, our Group and the Relevant Customers and Suppliers are not listed as Sanctioned Persons.

Notwithstanding the foregoing, we shall cease all our transactions with the supplier and distributors involving Sanctioned Countries upon fulfilment of our and the relevant entities' obligations under the respective contract and sales orders in hand and after concluding these obligations, we will not knowingly enter into any sanctionable transactions that would expose our Group, our Group's investors the Stock Exchange HKSCC, HKSCC Nominees or our Shareholder to any risk of being sanction.

Our Directors are of the view that there will not be material adverse effect on our Group's business, results of operations and financial condition arising from the cessation of our transactions with the supplier and distributors involving Sanctioned Countries in view of the following:

1. we expect to fulfil our remaining obligations to Supplier E under our existing contract by the first quarter of 2019. In the interim, in our approved suppliers list for suppliers who have passed our assessment criteria, we have at least two alternative suppliers to Supplier E who can supply us cashews while we continue sourcing for more alternative suppliers whereby their products could pass our assessment criteria and suppliers who could extend commercial terms typical to those extended by our existing suppliers. For further details, please refer to the section headed "Business – Procurement and suppliers – Suppliers" of this prospectus; and
2. we expect to fulfill all our remaining obligations to the distributors involving Sanctioned Countries by the first quarter of 2019. In the interim, our sales and marketing team will source for new distributors. We have received expression of interests from potential foreign distributors from countries such as New Zealand and Saudi Arabia to distribute our products. Prior to commencing business relationship with them, the potential distributors will be subject to our evaluation based on our predetermined criteria which include, among others, the size of their operations, sales network and geographic location to ensure chances of overlapping with existing distributors, if any, will be minimal and such distributors will be subject to commercial terms which we typically extended to our existing distributors. For further details, please refer to the section headed "Business – Distributors" of this prospectus.

Our undertakings

We have undertaken to the Stock Exchange that, after the Listing, (1) we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions; (2) we shall cease all our transactions with the existing supplier and distributors involving Sanctioned Countries upon fulfilment of our and the relevant entities' obligations, under the respective contract and sales orders in hand and after concluding these obligations, we will not knowingly enter into any sanctionable transactions that would expose our Group, our Group's investors, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to any risk of being sanctioned; and (3) we will make timely disclosure on the Stock Exchange's website, our own website and in our annual reports or interim reports if we should believe that any of our business would put our Group or our Shareholders at risk of being sanctioned, the status of future business (if any) in the Sanctioned Countries and regarding our efforts on monitoring our business exposure to sanctions risks and our business intention relating to Sanctioned Countries. We are aware of the risk of possible delisting of our Shares should we be in breach of our undertaking to the Stock Exchange.

Our internal control procedures

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. To reduce our chances of entering into any sanctionable transactions that would expose our Group, the following measures have been fully implemented as of the date of this prospectus:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Share Offer or any other funds raised through the Stock Exchange;
- to further enhance our existing internal risk management functions, the Company has established a risk management committee, which comprises Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim and Mr. Sean Lim and their responsibilities include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks, and will make any adjustments or changes to policies and procedures deemed necessary or approximate to align our sanctions risk with the Group's policies;
- the risk management committee of our Group will review any transactions that pose a potential sanctions risk prior to the transaction being authorized to proceed;

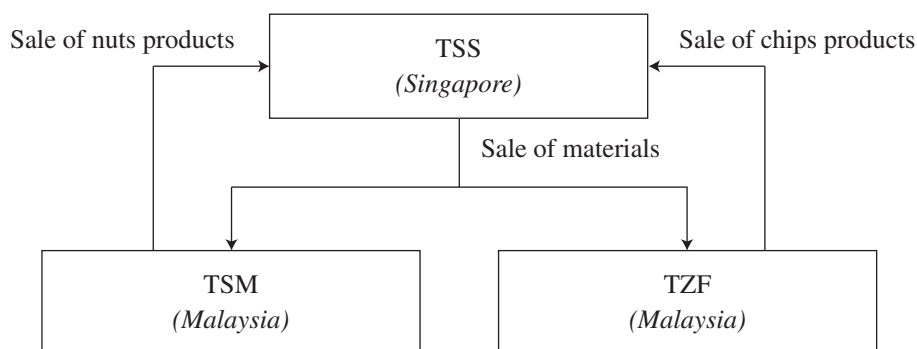
BUSINESS

- we will evaluate potential sanctions risks prior to determining whether we should embark on any business opportunities. We will implement automated screening using a reputable provider of sanctions screening software for the screening of potential suppliers and customers before commencing any transactions with them. According to our internal control procedures, the risk management committee must review and approve all relevant business transaction documentation from customers or potential customers or distributors who, to the best knowledge and belief of our Group, may distribute our products to the Sanctioned Countries. In particular, the risk management committee will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will confirm the screening results to ensure that the counterparty does not appear on any of the various lists of restricted parties and countries maintained by the U.S., the United Kingdom, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. We will decline to do business with a counterparty that is, or is owned or controlled by, a person located in the Sanctioned Countries or is a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal advisers with necessary expertise and experience in international sanctions matters;
- our Directors will continuously monitor, through regular reports from the compliance officer, the use of proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to ensure that such funds have not been and will not be used, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries where this would be in breach of International Sanctions;
- the risk management committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal advisers with necessary expertise and experience in sanctions matters for recommendations and advice; and
- external international legal advisers will provide training programs relating to International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.

Our International Sanctions Legal Advisers have reviewed these internal control measures and advised us that subject to full implementation and enforcement of such measures on an ongoing basis, the above measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to International Sanctions so as to protect the interests of our Group, our Shareholders and investors. Our Directors and the Sole Sponsor concur with our International Sanctions Legal Advisers' view in the above.

TRANSFER PRICING ARRANGEMENT

During the Track Record Period, our operations were in Singapore and Malaysia. TSM and TZF are mainly responsible for the manufacturing of our nuts and chips in our two production facilities located in Johor, Malaysia. TSS is mainly responsible for the procurement of materials and the sales and marketing of our nuts and chips products. The following diagram illustrates the transactions within our Group:



As illustrated above, (i) sale of materials by TSS to TSM and TZF; and (ii) sale of nuts and chips products by TSM and TZF to TSS, are regarded as intra-group transactions relating to our transfer pricing arrangement. We have adopted transfer pricing arrangement in our Group to ensure compliance with relevant transfer pricing regulations where we operate, including (i) monitoring of implementation of internal control policy on tax-related matters; (ii) identification of updates on transfer pricing laws and regulations and assessment of related risks on our Group; (iii) engage benchmarking review on transfer pricing policy and exposure; and (iv) designated our finance manager to regularly monitor our pricing policy of intra-group transactions to ensure such transactions satisfied with the arm's length principle in accordance with Singapore and Malaysia transfer pricing guidelines.

We have appointed independent tax advisers in Singapore and Malaysia, namely RSM Tax Pte. Ltd. and RSM Tax Consultants (Malaysia) Sdn Bhd on 13 June 2018 and 8 June 2018 respectively (collectively, the "**Tax Consultants**") to perform a transfer pricing study to review and evaluate the intra-group transactions of TSM and TZF within our Group during the Track Record Period. The Tax Consultants were appointed after the transfer pricing audit conducted by the Malaysia's tax authorities as explained below. The transactional net margin method was applied to perform benchmarking studies to evaluate the arm's length nature of the intra-group transactions between TSM and TZF with TSS.

The Tax Consultants are member firms of RSM International. RSM is the sixth largest worldwide network of independent audit, tax and advisory firms, encompassing over 120 countries. Having reviewed (i) the transfer pricing documentation prepared by our Group; and (ii) settlement of additional tax payable and a penalty amounting to approximately RM379,000 arising from the transfer pricing audit by the Malaysia's tax authorities as explained in the paragraph below, the Tax Consultants are of the view that our Group has complied with the relevant transfer pricing laws and regulations. Nevertheless, with the revised group of comparable companies adopted by the Malaysia's tax authorities as a result of the transfer pricing audit conducted by the Malaysia's tax authorities as explained below, there may be potential additional tax payable and penalty for financial year ("**FY**") 2016 and 2017 amounting to approximately RM296,000 whereby a provision has been made in our financial statements.

In 2017, the Malaysia's tax authorities had conducted a transfer pricing audit on TSM for FY 2011 to 2015. From the transfer pricing audit, the Malaysia's tax authorities is of the view that (i) the price sold by TSM to TSS is lower and hence are not transacted at arm's length; and (ii) certain comparable companies used by TSM were not suitable due to different functional activities, incurred continuous loss and having irregular financial position. As such, the Malaysia's tax authorities have adjusted the selling price from TSM to TSS by making an adjustment on TSM's operating profit margin and compared against the median of interquartile range which was recalculated from the revised group of comparable companies. This led to an additional tax payable and a penalty amounting to approximately RM379,000 which has been fully paid by TSM as at the Latest Practicable Date. We will continue to closely monitor our Group's transfer pricing arrangement including reviewing the reasonableness of the pricing policy of our intra-group transactions regularly. However, we cannot assure that our transfer pricing arrangement will not be subject to audit and possible challenge by any relevant tax authorities in future. Please refer to section headed "Risk factors – Our operations may be subject to transfer pricing adjustments" of this prospectus for further details.

Subsequent to the transfer pricing audit as explained above, we implemented enhanced measures which includes (i) our Group will engage an independent tax consultant to perform benchmarking analysis annually; (ii) revise our comparable companies consistent with those selected by the tax authorities; (iii) review our cost structure per product on a regular basis to ensure that the transfer price between related companies are performed at arm's length. The Tax Consultants has also conducted a benchmarking analysis up to the period ended 30 June 2018 and of the view that both TSM and TZF have achieved more than median of the comparable companies and therefore, the risk of transfer pricing adjustment by the Malaysia's tax authorities is low for FY 2018 and beyond provided that both TSM and TZF continue to achieve similar results.

Our Executive Directors are of the view that the enhanced measures implemented above were adequate and effective having considered the opinion by the Tax Consultants after performing the benchmarking analysis for the period ended 30 June 2018. As at the Latest Practicable Date, our Group had not engaged an independent tax consultant to perform benchmarking analysis. As the Tax Consultants have conducted a benchmarking analysis up to the period ended 30 June 2018 and are of the view that both TSM and TZF have achieved more than median of the comparable companies and therefore, the risk of transfer pricing adjustment by the Malaysia's tax authorities is low for FY 2018 and beyond provided that both TSM and TZF continue to achieve similar results, the Executive Directors are of the view that the benchmarking analysis was up-to-date.

Save as disclosed above, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit or investigation by any relevant tax authorities with respect to our intra-group transactions.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed "Risk factors" of this prospectus. The following sets our key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

Quality control

We are committed to produce high quality snacks which are safe for consumption. We implement strict and comprehensive quality control procedures throughout all stages of our production, from the procurement of raw materials to the packaging and delivery of our finished products.

Please refer to the paragraph headed "Quality control" in this section for details.

Fluctuations in material prices

The quality and price of materials are dependent on the output of the harvest which may be affected by events beyond our control such as natural disaster, infectious diseases, pest infestations and climate change. As such, we typically manage the fluctuations in material prices by (i) purchase our main materials in bulk to secure the quantity and price of the materials to meet our production requirements for a few months; and (ii) maintain more than one supplier for most of our materials in our approved suppliers list.

Maintain and enhance our brands and reputation

We recognise that our brands and reputation are critical for our financial performance and business sustainability. In this regard, we have constantly engaged in active marketing and branding of our products through various advertising platforms including in-store displays, social media, outdoor sampling and events sponsorship. We believe that over the years, we have established a brand image that is associated with premium taste, high standards and good quality products. Further, on a yearly basis, we will also perform a customer satisfaction review to obtain feedback from our customers to continuously improve the quality of our products and services to them.

Protection of our intellectual property rights and industrial know-how

We have registered our trademarks in Singapore, Malaysia, the PRC, Hong Kong and Cambodia. As at the Latest Practicable Date, we had 23, 7, 8, 5 and 3 registered trademarks in Singapore, Malaysia, the PRC, Hong Kong and Cambodia respectively. Our products are marketed under our trademarks of brand names, which are critical to our continued success and growth, including “TAI SUN”, “NATURE’S WONDERS”, “TREATZ” and “UCA”. Further, we rely on trade secrets protection to secure our product formulas and production processes. We rely on a combination of confidentiality restrictions in our agreements with our employees and segregation of duties in our production facilities to safeguard our proprietary rights, including the seasoning formulas.

Risk of loss of key personnel

Our Executive Directors will ensure that suitable and sufficient numbers of staff are properly appointed and assigned to manage our business operations. They will ensure that sufficient experience and technical knowledge are available and any loss of any team members will have limited impact on the continuity of our business operations.

Credit management

We generally grant credit term of 30 days to 60 days to our customers from the date of invoice. For the three years ended 31 December 2017 and six months ended 30 June 2018, no provision for the impairment of trade receivables were made. Our finance team will work closely with our sales and marketing team to continuously monitor the aging of our customers. The credit terms given by our suppliers are generally in the range of one week after shipment to 30 days which are typically settled by bank transfers. We typically make prompt payment to our suppliers.

Liquidity risk management

We monitor our working capital to ensure that our financial obligations can be met when due by (i) ensuring a healthy bank balances and cash for payment of our short-term working capital needs; (ii) monitoring our trade receivables and its aging monthly and following up closely to ensure prompt payment from our customers; and (iii) monitoring our bank and finance lease payments. We believe a healthy cashflow is crucial for the continuity and profit of our business. Our finance team led by our finance manager will provide advice to the Board and coordinate with our sales and procurement teams to manage risks related to suppliers (such as credit terms provided by suppliers), customers (such as pricing strategy and credit period granted to customers) and banks (such as interest rate and cash level) so that we can attain an optimal cashflow position and maximised profit. With regards to the mismatch in the credit term extended to our customers (generally from 30 days to 60 days) and the credit terms given to us by our suppliers (generally one week after shipment to 30 days), we will manage such mismatch by maintaining sufficient cash balances to meet our obligations to our suppliers.

Regulatory risk management

Our Group keeps abreast of any changes in government policies, regulations, licensing and certifications requirement and relevant permits, and we are aware that any non-compliance of the above may have an adverse impact on our business operations. We will ensure that all changes are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

Foreign exchange risk

The sales to our customers are mainly billed and settled in either US\$ or S\$. Our main raw materials such as walnuts, almonds, pistachios, macadamia and fresh potatoes are sourced overseas and paid in US\$, AUD or other foreign currencies. Our Group therefore entered into foreign exchange forward contracts with financial institutions to manage our foreign currency exposures.

We generally hedge 30% of our expected monthly sales and purchases denominated in foreign currencies. As at the Latest Practicable Date, our outstanding foreign exchange forward currency contracts are: 1) to exchange AUD150,000 per month at a strike price of S\$/AUD of 0.99 from 28 May 2019 to 25 October 2019; 2) to exchange AUD300,000 per month at a strike price of S\$/AUD of 0.96 from 28 May 2019 to 25 October 2019; and 3) to exchange USD200,000 per month at a strike price of S\$/USD of 1.335 from 27 August 2018 to 19 July 2019. Please refer to note 21 to the accountants' report set out in Appendix I to this prospectus for details on the fair value of the foreign exchange forward and option contracts of our Group as at 31 December 2015, 2016, 2017 and 30 June 2018.

We have a committee in place, comprising of our Executive Directors and our finance manager. The committee meets regularly from time to time when necessary and is responsible for reviewing, researching and studying the future foreign exchange rates and the methods of hedging. In deciding whether to enter into any foreign currency hedging transactions, the committee will undertake a cautious approach and will consider factors including (i) the expected sales and purchases denominated in foreign currencies; (ii) the historical foreign exchange rates; and (iii) the perceived future foreign exchange rates. Our finance manager keeps track of our hedging activities and all hedging contracts have to be approved by our Executive Directors. As our sales and purchases will continue to be denominated in foreign currencies, we expect that we will continue to enter into hedging arrangements where necessary.

Internal control

Our Group has maintained an internal control system and our Directors are responsible for monitoring its implementation of our Group's internal control measures and reviewing its effectiveness. In preparation for the Listing, our Group had on 16 March 2018 appointed an independent internal control consultant (the “**Internal Control Consultant**”), to perform a detailed assessment of our Group's internal control system, including the areas of corporate level controls, financial reporting and disclosure controls, human resources and payroll management, information technology general controls, intellectual property management, food safety and hygiene management, quality control and work-related accidents reporting process.

The key findings from the Internal Control Consultant and the enhanced internal control measures implemented by our Group are as follows:

Key findings

Our Group had no corporate governance policies and procedures in areas such as declaration of directors' interest, communication with shareholders and compliance with listing rules. Further, delegation of authority limits was not formally documented.

Our Group had not formally documented the standard operating procedures for knowledge management purpose in certain areas including financial closing and reporting, expenditure and inventory management, human resource and payroll management and information technology.

Our Group had no formal documentation on the budget. Budgets were verbally communicated to the department heads and there was no periodic review or monitoring of actual results against the budget.

The access rights in the accounting system were not restricted to authorised personnel.

There were no written documentation to indicate there was an independent review on our Group's sales invoices.

Enhanced internal control measures

In May 2018, our Group had drafted a compliance manual to include all relevant corporate governance policies and procedures. Further, a delegation of authority limits has been formally documented to describe the employees' decision-making powers to act on behalf of our Group and the limits of those powers.

In May 2018, our Group had formally documented the policies and procedures which had been approved by our Executive Directors in areas including financial closing and reporting, expenditure and inventory management, human resource and payroll management and information technology.

In May 2018, our Group has established group level budget for profit or loss items. The budgets were approved by our Executive Directors. Our Group has also started to monitor the actual results against the budget since June 2018.

In May 2018, our Group has restricted access to edit sensitive information in the accounting system to authorised personnel only.

In May 2018, our Group has updated the revenue management policies and procedures to include the requirement of an independent review on our Group's sales invoices prior to issuance to our customers. The reviewer will review the details on the sales invoices and sign-off thereafter.

BUSINESS

Key findings

Our Group did not practice periodic reconciliation on creditor's statement.

Our Group did not store back-up disks on data such as the accounting system and operational documents off-site.

Our Group did not have formal documentation on cash counts and there were lack of independent personnel to conduct surprise cash counts.

Our Group did not comprehensively documented all the allowances made available to employees in the employee handbook or employment contracts.

There were lack of documented sign-off on inventory counts and reconciliations.

Our Group did not have formal documentation on follow-up actions taken to keep track of outstanding payments from customers.

Our Group did not have formal documentation on fixed assets requisition.

Enhanced internal control measures

Since May 2018, our Group has implemented the practice of performing periodic reconciliation on the statement of accounts obtained from creditors with the trade payable balances in the accounting system.

In May 2018, our Group has updated the information technology management policies and procedures whereby there will be two groups responsible for the daily backup of critical data. A copy will be store on-site while another copy will be encrypted and stored off-site.

In April 2018, our Group has formally established a cash count template and assigned independent personnel to conduct surprise cash counts.

In September 2018, our Group has fully documented the benefits provided to employees in the employment contract or the employee handbook.

In August 2018, our Group has implemented proper sign-off by employees involved in inventory counts.

In August 2018, our Group has implemented the procedures in documenting the follow-up actions and keeping relevant correspondences with our customers.

In July 2018, our Group has established a fixed asset requisition form to formally document all purchases of fixed assets.

The Internal Control Consultant has performed a follow-up review by focusing on the remedial actions taken by our Group to address the key findings identified. Based on the results of the follow-up review and our business nature and operation scale, and discussing with our Internal Control Consultant, our Executive Directors are of the view that our internal control system is adequate and effective for our current operating environment.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), 75.0% of the issued share capital of our Company will be owned by SWL, which is owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong.

Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong entered into the Concert Party Deed, pursuant to which Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong confirmed the existence of the aforementioned mutual understanding and arrangement in the past, and agreed to act in concert for all operational, management and financial matters in relation to each of TSS, TSM and TZF for so long they remain interested (either directly or indirectly) in the share capital of any of these companies and/or remain as the key management members of any of these companies. Please refer to the section headed “History, Reorganisation and corporate structure – Collective control of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong” of this prospectus for further details. In view of the above, SWL, Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong are a group of controlling shareholders of our Company under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective close associates after the Listing on the basis of the following information:

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our Executive Directors and senior management personnel of our Company. The Board has seven Directors comprising four Executive Directors and three Independent Non-Executive Directors. Each of Ms. Sandy Lim, Mr. Winston Lim and Mr. Lawrence Lim, all being our Executive Directors, is also one of the ultimate Controlling Shareholders. Save for Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim and Mr. James Loo, none of the other Directors nor other members of our senior management is a Controlling Shareholder.

We consider that the Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum of the relevant meetings of the Board; and
- (c) all our Independent Non-Executive Directors, namely Mr. Chan Ka Yu, Mr. Lee Yan Fai and Mr. Chew Keat Yeow, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

During the Track Record Period, we had entered into (i) certain related party transactions during the Track Record Period, details of which are disclosed in note 34 to the accountants' report set out in Appendix I to this prospectus; and (ii) two tenancy agreements with a connected person, TST, details of which are set out in the section headed "Connected transactions" of this prospectus. Save for the two tenancy agreements which will continue after Listing, all other related party transactions will cease upon Listing.

Save as disclosed above, our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates. We have our independent access to our suppliers and our customers for the provision of services and materials, and we have an independent management team to handle our day-to-day operations.

Financial independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had obtained borrowings secured by personal guarantees from our Executive Directors. All the personal guarantees given by our Executive Directors will be released upon Listing and replaced by corporate guarantees from our Group to the extent that the borrowings are not repaid before Listing.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group has sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

To minimise the potential competition in the future, our Controlling Shareholders had entered into the Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) prior to the Listing, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) that:

- (a) each of the Covenantors shall not, and shall procure each of his/her/its close associates and/or companies controlled by him/her/it, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, not to, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which is similar to or competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the production, packaging and sale of nuts and chips, and businesses ancillary to any of the foregoing), in Singapore, Malaysia and any other country or jurisdiction to which our Group markets, supplies or otherwise provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”). Each of the Covenantors has represented and warranted to our Group that neither he/she/it nor any of his/her/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;
- (b) if any of the Covenantors and/or any of his/her/its close associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/she/it shall: (i) promptly, in any event not later than seven days, notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to make an informed assessment of such New Business Opportunity; and (ii) use his/her/its best endeavours to procure that such New Business Opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to him/her/it and/or his/her/its close associates; and
- (c) if our Group has not given written notice of our desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 Business Days (the “**30-day Offering Period**”) of receipt of notice from the Covenantor(s), the Covenantor(s) and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. The Covenantors also agree to extend the 30 Business Days to a maximum of 60 Business Days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

In addition, upon the Listing, each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors from time to time (including our Independent Non-Executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our Independent Non-Executive Directors, for the annual review by our Independent Non-Executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) to provide to our Company, (if necessary) after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (iii) to our Group to allow our Directors (including our Independent Non-Executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of the Covenantors has undertaken that during the period in which he/she/it and/or his/her/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
- (ii) he/she/it will not solicit any existing or then existing employee of our Group for employment by him/her/it or his/her/its close associates (excluding our Group);
- (iii) he/she/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as our Controlling Shareholder for any purposes; and
- (iv) he/she/it will procure his/her/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings are subject to the exception that any of the Covenantors and their respective close associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided also that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our Independent Non-Executive Directors without the attendance by any Director with beneficial interest in such project or business opportunity, in which resolutions have been duly passed by the majority of our Independent Non-Executive Directors), confirmed our rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that the Covenantor and/or his/her/its close associates invest, participate or engage in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the Covenantors and/or their respective close associates decide to be involved, engaged, or participate in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Without prejudice to the above, the undertakings do not apply to (a) any interests in the shares of any members of our Group; or (b) interests in the shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange, and the total number of the shares held by the Covenantors and/or their respective close associates (excluding our Group) in aggregate does not exceed 10% of the issued shares of that class of the company in question and the relevant Covenantor and/or his/her/its respective close associates (excluding the Group) are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantors and their respective close associates in aggregate.

The non-competition undertaking will take effect from the Listing Date and will cease to have any effect upon the earlier of the date on which (i) the Shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange; or (ii) the Covenantors and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital in our Company directly or indirectly or cease to be deemed as our Controlling Shareholder and do not have power to control the Board or there is at least one other independent Shareholder other than the Covenantors and/or his/her/its respective close associates holding more Shares than the Covenantors and his/her/its respective close associates taken together.

CORPORATE GOVERNANCE MEASURES

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and the Covenantors, upon the Listing:

- (1) our Independent Non-Executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (2) our Company will disclose the compliance of such non-competition undertaking by each of our Controlling Shareholders and the details and basis of the decisions on the matters reviewed by our Independent Non-Executive Directors in relation to the compliance and enforcement of arrangement of the Deed of Non-competition (including the New Business Opportunity) in the annual reports or by way of announcements;
- (3) our Controlling Shareholders have undertaken to us that they will provide (i) an annual written confirmation in respect of their compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our Independent Non-Executive Directors for our review and enforcement of the Deed of Non-competition;
- (4) our Independent Non-Executive Directors will be responsible for deciding, in the absence of any Executive Director (except as invited by our Independent Non-Executive Directors to assist them or provide any relevant information, but in no circumstances shall our Executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/her/its close associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;
- (5) the Board will ensure reporting any event relating to potential conflict of interests to our Independent Non-Executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (6) following the reporting of any event relating to potential conflict of interests, the Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert the Board, including our Independent Non-Executive Directors, to take any precautions actions;
- (7) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her/its interests and, where required, abstain from voting in the relevant board meeting and/or general meeting on the transaction and not count as quorum where required;
- (8) our Independent Non-Executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and
- (9) our Company have appointed Vinco Capital as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among the shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Each of the persons stated below is a connected person of our Company and each of their respective associates had entered into transactions with our Group during the Track Record Period.

Connected person	Relationship with our Group
Mr. Winston Lim	Controlling Shareholder and Executive Director
Mr. Lawrence Lim	Controlling Shareholder and Executive Director

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreements entered into between TST as landlord and TSM as tenant

During the Track Record Period, we had entered into the following transactions with the relevant connected persons of our Company. It is expected that we will continue to enter into similar transactions with the said person(s) after the Listing, and such transactions will constitute exempt continuing connected transactions for our Company and will be fully exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

Background and principal terms

TST, a company owned as to 50% by Mr. Winston Lim and 50% by Mr. Lawrence Lim, is a connected person of our Company. Mr. Winston Lim, Mr. Lawrence Lim and Ms. Sandy Lim are also directors of TST. TST owns two properties located in Malaysia, at (i) No. 8, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia; and (ii) No. 10, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia, which were rented to our Group.

(a) No. 8 Tenancy Agreement

During the Track Record Period, TSM rented from TST a property located at No. 8, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia, with a floor area of approximately 1,769 sq.m. (the “**No. 8 Jalan Maju Property**”), at a monthly rent of RM35,000.

On 1 July 2018, TSM as tenant, entered into the tenancy agreement (the “**No. 8 Tenancy Agreement**”) with TST as landlord, pursuant to which TSM and TST agreed to renew the lease of the No. 8 Jalan Maju Property, at a monthly rent of RM16,000, for use as cold room storage for a term of two years commencing on 1 July 2018, with an option to renew for a further term of one year.

CONNECTED TRANSACTIONS

(b) No. 10 Tenancy Agreement

On 1 September 2017, TSM as tenant, entered into the tenancy agreement (the “**No. 10 Tenancy Agreement**”, together with the No. 8 Tenancy Agreement, the “**Tenancy Agreements**”) with TST as landlord, pursuant to which TST agreed to lease a property located at No. 10, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia, with a floor area of approximately 1,769 sq.m. to TSM, at a monthly rent of RM15,000, for manufacturing of snack foods and warehouse storage for a term of two years commencing on 1 September 2017, with an option to renew for a further term of one year.

Historical transaction amounts, proposed annual caps and basis of determination

The historical amounts paid by our Group to TST under the Tenancy Agreements during the Track Record Period and the proposed annual caps for the three years ending 31 December 2020 are set out below:

	Approximate historical figures For the year ended 31 December			Proposed annual caps For the year ending 31 December		
	2015	2016	2017	2018	2019	2020
The No. 8 Tenancy Agreement	–	–	RM330,000 (Note) (equivalent to approximately HK\$620,400)	RM306,000 (Note) (equivalent to approximately HK\$575,280)	RM192,000 (equivalent to approximately HK\$360,960)	RM192,000 (equivalent to approximately HK\$360,960)
The No. 10 Tenancy Agreement	–	–	RM60,000 (equivalent to approximately HK\$112,800)	RM180,000 (equivalent to approximately HK\$338,400)	RM180,000 (equivalent to approximately HK\$338,400)	RM180,000 (equivalent to approximately HK\$338,400)
Total	–	–	RM390,000 (equivalent to approximately HK\$733,200)	RM486,000 (equivalent to approximately HK\$913,680)	RM372,000 (equivalent to approximately HK\$699,360)	RM372,000 (equivalent to approximately HK\$699,360)

Note: During the Track Record Period and prior to the entering into of the No. 8 Tenancy Agreement, all rates, fees and other charges for the water, gas, electricity and telephone services and other public utilities or services, including any government taxes were paid by TST. Pursuant to the No. 8 Tenancy Agreement, all rates, fees and other charges for the water, gas, electricity and telephone services and other public utilities or services, including any government taxes shall be payable by TSM.

The proposed annual caps with respect to the Tenancy Agreements were determined on an arm’s length basis, and based on, among others, (i) the prevailing market rent for similar premises in the vicinity at the time; (ii) the permitted purpose of the rented property; and (iii) the historical rents paid by our Group during the Track Record Period.

Our Directors (including our Independent Non-Executive Directors) are of the view that the entering into of each of the Tenancy Agreements is in the ordinary and usual course of business of our Group, and is on normal commercial term, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Listing Rules implications

The transactions contemplated under the Tenancy Agreements are of continuing nature and will constitute continuing connected transactions of our Company upon the Listing, as the relevant applicable percentage ratios thereunder, on an annual basis, is less than 5% and the annual consideration is less than HK\$3,000,000. Hence, the transactions contemplated thereunder are exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

RELATED PARTIES TRANSACTIONS

Save for the continuing connected transactions disclosed above, we had also entered into certain related party transactions during the Track Record Period, details of which are disclosed in note 34 to the accountants' report set out in Appendix I to this prospectus.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-Executive Directors) are of the view that the entering into of the Tenancy Agreements are in the ordinary and usual course of the business of our Group, the Tenancy Agreements, including the annual caps, are on normal commercial terms, and such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed relevant information, documentation and historical data provided by our Group in relation to the continuing connected transactions described above. On such basis, the Sole Sponsor is of the view that the entering into of the Tenancy Agreements are in the ordinary and usual course of the business of our Group, the Tenancy Agreements, including the annual caps, are on normal commercial terms, and such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of four Executive Directors, and three Independent Non-Executive Directors. The following table sets forth the information concerning our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Executive Directors						
Ms. Lim Seow Yen (林小燕)	61	Chairlady and Executive Director	23 July 1984	19 April 2018 and designated as an Executive Director on 5 July 2018	Overseeing and managing the overall procurement, finance and administration function	Sibling of Mr. Winston Lim and Mr. Lawrence Lim; spouse of Mr. James Loo; and mother of Mr. Terence Loo
Mr. Lim Fung Yee (林芳宇)	60	Executive Director	23 July 1984	19 April 2018 and designated as an Executive Director on 5 July 2018	Overseeing and managing the overall sales and marketing function	Sibling of Ms. Sandy Lim and Mr. Lawrence Lim; and father of Mr. Sean Lim
Mr. Lim Fung Chor (林方宙)	57	Executive Director	23 July 1984	19 April 2018 and designated as an Executive Director on 5 July 2018	Overseeing and managing the overall production function	Sibling of Ms. Sandy Lim and Mr. Winston Lim; spouse of Ms. Jillian Ong; and father of Mr. Brandon Lim
Mr. Lim Seng Chye (Lin Shengcai) (林生財)	33	Executive Director	1 September 2013	5 July 2018	Assisting Mr. Winston Lim in overseeing the overall sales and marketing function	Son of Mr. Winston Lim
Independent Non-Executive Directors						
Mr. Chan Ka Yu (陳家宇)	39	Independent Non-Executive Director	20 December 2018	20 December 2018	Chairman of the audit committee, providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	N/A
Mr. Lee Yan Fai (李恩輝)	34	Independent Non-Executive Director	20 December 2018	20 December 2018	Chairman of the remuneration committee, providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	N/A
Mr. Chew Keat Yeow (Zhou Jieyao) (周洁耀)	45	Independent Non-Executive Director	20 December 2018	20 December 2018	Chairman of nomination committee, providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Lim Seow Yen (林小燕), aged 61, was appointed as a Director on 19 April 2018. She was re-designated as an Executive Director and appointed as the chairlady of the Board on 5 July 2018. Ms. Sandy Lim is also a director of TSS since July 1984, a director of TSM since September 1999, a director of TZF since August 2014 and a director of TSH since May 2018. Ms. Sandy Lim has over 30 years of experience in the snacks industry. Ms. Sandy's core responsibilities lie in operations activities of our Group including procurement where she sources and plans the supply of raw materials as well as maintains close working relationship with our suppliers, finance and administration.

Ms. Sandy Lim was previously a director of Ta-Min International Marketing Pte. Ltd., which was incorporated on 24 April 1993 in Singapore, prior to its dissolution. Due to cessation of business, Ta-Min International Marketing Pte. Ltd. was struck off on 7 August 2009. The aforesaid company was solvent at the date of dissolution and Ms. Sandy Lim confirmed that there was no misconduct on the part of the directors of Ta-Min International Marketing Pte. Ltd. leading to the striking off of the company. Ms. Sandy Lim completed her high school education in November 1973.

Ms. Sandy Lim did not have any current or past directorship in any listed companies in the last three years prior to the Latest Practicable Date. Ms. Sandy Lim is the sibling of Mr. Winston Lim and Mr. Lawrence Lim. Ms. Sandy Lim is the spouse of Mr. James Loo and the mother of Mr. Terence Loo.

Mr. Lim Fung Yee (林芳宇), aged 60, was appointed as a Director on 19 April 2018. He was re-designated as an Executive Director of our Company on 5 July 2018. He is a member of the remuneration committee of our Company. Mr. Winston Lim is also a director of TSS since July 1984, a director of TSM since its incorporation, a director of TZF since May 2014 and a director of TSH since May 2018. Mr. Winston Lim has over 30 years of experience in the snacks industry. Mr. Winston Lim's core responsibilities lie in sales and marketing where he strategises business development and product innovation, ascertains the viability of potential new markets and proactively maintains close working relationship with our customers.

Mr. Winston Lim was previously a director of Ta-Min International Marketing Pte. Ltd., which was incorporated on 24 April 1993 in Singapore, prior to its dissolution. Due to cessation of business, Ta-Min International Marketing Pte. Ltd. was struck off on 7 August 2009. The aforesaid company was solvent at the date of dissolution and Mr. Winston Lim confirmed that there was no misconduct on the part of the directors of Ta-Min International Marketing Pte. Ltd. leading to the striking off of the company. Mr. Winston Lim completed his high school education in November 1974.

Mr. Winston Lim did not have any current or past directorship in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Winston Lim is the sibling of Ms. Sandy Lim and Mr. Lawrence Lim. Mr. Winston Lim is the father of Mr. Sean Lim.

Mr. Lim Fung Chor (林方宙), aged 57, was appointed as a Director on 19 April 2018. He was re-designated as an Executive Director of our Company on 5 July 2018. He is a member of the nomination committee of our Company. Mr. Lawrence Lim is also a director of TSS since July 1984, a director of TSM since its incorporation, a director of TZF since May 2014 and a director of TSH since May 2018. Mr. Lawrence Lim has over 30 years of experience in the snacks industry. Mr. Lawrence Lim is currently responsible for overseeing our production facilities in Johor, Malaysia to ensure that the production process as well as our products adhere to the relevant standards and/or certifications, and customers' requirements.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lawrence Lim was previously a director of Ta-Min International Marketing Pte. Ltd., which was incorporated on 24 April 1993 in Singapore, prior to its dissolution. Due to cessation of business, Ta-Min International Marketing Pte. Ltd. was struck off on 7 August 2009. The aforesaid company was solvent at the date of dissolution and Mr. Lawrence Lim confirmed that there was no misconduct on the part of the directors of Ta-Min International Marketing Pte. Ltd. leading to the striking off of the company. Mr. Lawrence Lim completed his high school education in November 1976.

Mr. Lawrence Lim did not have any current or past directorship in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Lawrence Lim is the sibling of Ms. Sandy Lim and Mr. Winston Lim. Mr. Lawrence Lim is the father of Mr. Brandon Lim.

Mr. Lim Seng Chye (Lin Shengcai)(林生財), aged 33, was appointed as an Executive Director on 5 July 2018. Mr. Sean Lim joined TSS in September 2013 as sales representative. He was subsequently promoted to assistant manager in business development in July 2016 and is currently assisting Mr. Winston Lim in overseeing the overall sales and marketing function of our Group which include managing our Group's sales staffs and compiling and analysing relevant sales information from our Group's sales staffs. Prior to joining our Group, Mr. Sean Lim worked as finance assistant in SEED Institute from 2012 to 2013. He obtained a Diploma in Microelectronics from Temasek Polytechnic in June 2006 and a Letter of Merit for High Achiever Award from The Republic of Singapore Air Force in February 2008.

Mr. Sean Lim did not have any current or past directorship in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Sean Lim is the son of Mr. Winston Lim.

Independent Non-Executive Directors

Mr. Chan Ka Yu (陳家宇), aged 39, was appointed as an Independent Non-Executive Director on 20 December 2018. He is currently the chairman of the audit committee and member of the remuneration and nomination committees of our Company. Mr. Chan obtained his Bachelor of Commerce degree in accounting from Hong Kong Shue Yan University in October 2009. He is a member of the Hong Kong Institute of Certified Public Accountants since March 2009.

Mr. Chan has over 10 years of professional accounting and financial reporting experience. From July 2004 to July 2007, Mr. Chan Ka Yu worked as an accountant at Kam & Cheung, Certified Public Accountants. From July 2007 to August 2010, he was a senior auditor at World Link CPA Limited. From September 2010 to April 2012, he worked at BDO Limited (which was formerly known as JBPB & Company), initially as a senior accountant and subsequently promoted as a senior associate. From May 2012 to April 2013, he worked as an investor relations officer for Fantasia Group (China) Company Limited, a subsidiary of Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司)(stock code: 1777), a company listed on the Main Board of the Stock Exchange. Since June 2013, he has been working as the chief financial officer of CEFC Hong Kong Financial Investment Company Limited (formerly known as Runway Global Holdings Company Limited) (stock code: 1520), a company listed on the Main Board of the Stock Exchange. Mr. Chan is currently an independent non-executive director of Dragon Rise Group Holdings Limited (stock code: 6829) since January 2018, a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Chan has not been a director of any listed company in the three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Yan Fai (李恩輝), aged 34, was appointed as our Independent Non-Executive Director on 20 December 2018. He is currently the chairman of the remuneration committee and member of the audit and nomination committees. Mr. Lee obtained his Bachelor of Accounting degree from the Napier University, United Kingdom in January 2008 and subsequently obtained his Master of Professional Accounting from The Hong Kong Polytechnic University in September 2018. He was admitted as a member of Hong Kong Institute of Certified Public Accountants in May 2011, a practising certified public accountant of Hong Kong Institute of Certified Public Accountants in May 2014 and a member of Hong Kong Securities and Investment Institute in January 2015. He was also admitted as a member of The Society of Chinese Accountants and Auditors in June 2015 and a Fellow of The Taxation Institute of Hong Kong since October 2016.

Mr. Lee has over 10 years of experience in the auditing and accounting field. He was audit staff with Poon & Tong C.P.A. Limited from December 2006 until March 2008. He was accountant with the Audit Department of PKF-Hong Kong, a member of the PKF International Limited from April 2008 until August 2009. He joined SHINEWING (HK) CPA Limited in August 2009 as staff accountant and his last position held was assistant manager when he left in October 2013. He was an audit manager with Pan-China (H.K.) CPA Limited from November 2013 until September 2015.

Mr. Lee was the financial controller of each of Bisu Technology Group International Limited (stock code: 1372) from August 2015 until December 2018 and Sino Golf Holdings Limited (stock code: 361) from September 2015 until December 2018, both being companies listed on the Main Board of the Stock Exchange. He has been a director of Fuson CPA Limited since 23 February 2017.

Save as disclosed, Mr. Lee did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Chew Keat Yeow (Zhou Jieyao) (周洁耀), aged 45, was appointed as our Independent Non-Executive Director on 20 December 2018. He is currently the chairman of the nomination committee and member of the remuneration and audit committees of our Company. Mr. Chew obtained his Bachelor in Engineering degree from the National University of Singapore in July 1998 and subsequently obtained his Master of Business Administration from the National University of Singapore in April 2004. He went on to obtain professional qualifications, namely, Project Management Professional (PMP) in June 2010, Information Technology Infrastructure Library (ITIL) Expert in August 2012 and Certified Chief Information Security Officer in October 2017.

Mr. Chew has over 8 years of experience in the information technology field. He was the chief technology officer of Mobile Credit Payment Pte Ltd, a payment technology and merchant service company from 2012 until 2017. Prior to that, he was business support manager for Orange Business Services, a global telecommunication operator and information technology services company, from 2009 until 2012.

Mr. Chew was previously a director of In59 Pte. Ltd., which was incorporated on 14 August 2004 in Singapore, prior to its dissolution. Due to cessation of business, In59 Pte. Ltd. was struck off on 5 April 2018. The aforesaid company was solvent at the date of dissolution and Mr. Chew confirmed that there was no misconduct on the part of the director of In59 Pte. Ltd. leading to the striking off of the company.

Mr. Chew did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Disclosure of relationships as required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public listed companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the paragraph headed “C. Further information about Directors, management, staff and experts” in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this prospectus, none of our Directors have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to Appendix V to this prospectus for further information about our Directors, including details of the interest of our Directors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particular of their service contract and remuneration.

Except as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

BOARD DIVERSITY POLICY

Despite all of our Executive Directors and most of our senior management are family members, they have different educational background and experience. The older generation consists of Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim and Mr. James Loo, whereby each of them has over 30 years of experience in the snacks industry and are mainly responsible for overseeing and managing the overall operation of the business which includes procurement, sales and marketing and production functions. The younger generation consists of Mr. Sean Lim, Mr. Brandon Lim and Mr. Terence Loo, who are responsible for the marketing, production and finance functions respectively. The younger generation possess diplomas and/or bachelor degrees, and would be able to contribute different knowledge and ideas to our Group; they will also have a better idea of preferences by similar age group, and will be able to provide additional input to the business and operations of our Group.

We had appointed three Independent Non-Executive Directors, Mr. Chan Ka Yu, Mr. Lee Yan Fai and Mr. Chew Keat Yeow. Mr. Chan Ka Yu and Mr. Lee Yan Fai are members of the Hong Kong Institute of Certified Public Accountants, and possess over 10 years of professional accounting experience. Mr. Chew Keat Yeow is an Information Technology Infrastructure Library (ITIL) Expert and a Certified Chief Information Security Officer, and possesses over 8 years of experience in the information technology field. Our Executive Directors are of the view that, the different nationality, background and professional experience of the Independent Non-Executive Directors will enable our Company to demonstrate board diversity.

Our Company had also adopted a board diversity policy setting out the approach to achieve diversity on the Board. The nomination committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

DIRECTORS AND SENIOR MANAGEMENT

The nomination committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. The nomination committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

For details of the composition of the nomination committee, please refer to the paragraph headed “Board committees – Nomination committee” in this section.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Mok Tang Eng	63	Manufacturing manager	January 2014	Monitoring the production flow, increase quality and stabilisation of production, improve production procedure and reduce production costing and overhead	Nil
Mr. Loo Soon Hock, James	62	Senior sales manager	January 1985	Overseeing and handling direct business-to-business sales	Spouse of Ms. Sandy Lim; and father of Mr. Terence Loo
Mr. Er Eng Hui (余榮輝)	58	Senior sales manager	January 1985	Overseeing and handling direct business-to-business sales	Nil
Mr. Loo Yong Keong, Terence (Lu Yongqiang)(呂永強)	33	Finance manager	June 2014	Overseeing our Group’s working capital needs and financial performance	Son of Ms. Sandy Lim and Mr. James Loo
Mr. Lim Sheng Kwong (林生廣)	28	Assistant production manager	February 2014	Assisting Mr. Lawrence Lim in overseeing the overall production function	Son of Mr. Lawrence Lim

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mok Tang Eng, aged 63, joined our Group in January 2014 as the manufacturing manager of TSM. Mr. John Mok is primarily responsible for monitoring the production flow, increase quality and stabilisation of production, improve production procedure and reduce production costing and overhead. Mr. John Mok obtained his Diploma in Management from the Malaysian Institute of Management in January 1992. Mr. John Mok became a member of the Malaysian Institute of Management in January 1991. Mr. John Mok has also completed trainings for HACCP in January 2013, fire fighting and prevention training in August 2016, occupational first aid skill in October 2016 and ISO 22000:2015 in May 2017.

Mr. John Mok did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Loo Soon Hock, James, aged 62, joined TSS since January 1985. Mr. James Loo has over 30 years of experience in the snacks industry. In January 2017, he was promoted to senior sales manager where he is responsible for overseeing and handling direct business-to-business sales with focus on hospitality and wholesale customers including overseeing the deliveries to the customers, sourcing for new potential customers and maintaining close relationship with our customers.

Mr. James Loo did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Mr. James Loo is the spouse of Ms. Sandy Lim and the father of Mr. Terence Loo.

Mr. Er Eng Hui (余榮輝), aged 58, joined TSS since January 1985. Mr. Ricky Er has over 30 years of experience in the snacks industry. In January 2017, he was promoted to senior sales manager where he is responsible for overseeing and handling direct business-to-business sales to major supermarket chains in Singapore including overseeing the promotional activities in the supermarkets and maintaining close relationship with our customers.

Mr. Ricky Er did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Loo Yong Keong, Terence (Lu Yongqiang)(呂永強), aged 33, joined TSS in June 2014 as the finance manager. Mr. Terence Loo is primarily responsible for overseeing our Group's working capital needs, finance performance, income, cashflow and expenditure, overall preparation, management and monitoring of corporate budgeting, overseeing human resources department and packing department and development of business process and accounting policies. Our finance team led by Mr. Terence Loo will provide advice to the board of directors and coordinate with our sales and procurement teams to manage risks related to suppliers (such as credit terms provided by suppliers), customers (such as pricing strategy and credit period granted to customers) and banks (such as interest rate and cash level) so that we can attain an optimal cashflow position and maximised profit. Prior to joining our Group, Mr. Terence Loo has worked in the financial industry for over 3 years. He obtained his Diploma in Business Process & Systems Engineering from Temasek Polytechnic in June 2006 and the Bachelor of Finance from the Australian National University in July 2011.

Mr. Terence Loo did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Terence Loo is the son of Ms. Sandy Lim and Mr. James Loo.

Mr. Lim Sheng Kwong (林生廣), aged 28, joined TSS in February 2014 as assistant sales manager. He subsequently transferred to TSM as assistant production manager and currently assisting Mr. Lawrence Lim in overseeing the overall production function of our Group. Mr. Brandon Lim obtained a Bachelor of Commerce from Murdoch University majoring in management marketing in June 2015.

Mr. Brandon Lim did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Brandon Lim is the son of Mr. Lawrence Lim.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Chan So Fun (陳素芬), age 49, was appointed as the company secretary of our Company on 20 December 2018. Ms. Chan is currently a partner at the law firm of Michael Li & Co., specialising in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Ms. Chan is a practising solicitor and was admitted as a solicitor in Hong Kong in November 2007. She received a degree of Bachelor of Laws from the University of London in August 2004. She obtained a Master of Business Administration from the University of Hong Kong in December 1998 and she also obtained a degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 1992. Ms. Chan has been the company secretary of BHCC Holding Limited (stock code: 1552) since August 2017, a company listed on the Main Board of the Stock Exchange. Prior to embarking her legal career, Ms. Chan has over five years of experience in marketing and corporate communications.

Save as disclosed, Ms. Chan did not have any current or past directorships in any listed companies in the last three years.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by the Board on 20 December 2018. Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

Audit Committee

Our Group established an audit committee on 20 December 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The audit committee consists of all of the Independent Non-Executive Directors, namely, Mr. Chan Ka Yu, Mr. Lee Yan Fai and Mr. Chew Keat Yeow. Mr. Chan Ka Yu is the chairman of the audit committee.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Group established a remuneration committee on 20 December 2018 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of four members, namely Mr. Chan Ka Yu, Mr. Lee Yan Fai, Mr. Chew Keat Yeow and Mr. Winston Lim. Mr. Lee Yan Fai is the chairman of the remuneration committee.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group also established a nomination committee on 20 December 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The nomination committee consists of four members, namely, Mr. Chan Ka Yu, Mr. Lee Yan Fai, Mr. Chew Keat Yeow and Mr. Lawrence Lim. Mr. Chew Keat Yeow is the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board to fill vacancies on the same.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Vinco Capital as our compliance adviser to provide advisory services to our Company. It is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following matters:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- (iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration of Directors and senior management

During the three years ended 31 December 2017 and six months ended 30 June 2018, the aggregate amount of compensation paid (salary, allowances, benefits in kind, discretionary bonuses and defined contribution) by our Company to our five highest paid individuals were approximately S\$1.3 million, S\$1.6 million, S\$1.7 million and S\$0.7 million, respectively.

The Executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

During the three years ended 31 December 2017 and six months ended 30 June 2018, the aggregate amount of compensation paid (fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contribution) by our Company to our Executive Directors were approximately S\$1.0 million, S\$1.3 million, S\$1.3 million and S\$0.6 million, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Details of the terms of the service contracts are set out in the paragraph headed "C. Further information about Directors, management, staff and experts" in Appendix V to this prospectus.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. The Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to the Directors will be approximately S\$1.2 million for the year ending 31 December 2018.

None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in this paragraph headed "Remuneration of Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme):

HK\$

Authorised share capital:

5,000,000,000	Shares	50,000,000

Issued and to be issued, fully paid or credited as fully paid:

1,000	Shares in issue as at the date of this prospectus	10
799,999,000	Shares to be issued upon completion of the Capitalisation Issue (including the Sale Shares)	7,999,990
175,000,000	New Shares to be allotted and issued pursuant to the Placing	1,750,000
<u>25,000,000</u>	New Shares to be allotted and issued pursuant to the Public Offer	<u>250,000</u>
<u>1,000,000,000</u>	Shares in total	<u>10,000,000</u>

Note: If the Over-allotment Option is exercised in full, then 37,500,000 additional new Shares will be issued, resulting in a total enlarged issued share capital of HK\$10,375,000 divided into 1,037,500,000 Shares.

ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed “General mandate to issue Shares” or “General mandate to repurchase Shares” in this section, as the case may be.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares of our Company and will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends and other distributions declared, paid or made on the Shares in respect of a record date which falls after the Listing Date (except for the entitlement under the Capitalisation Issue).

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Group – 3. Written resolutions of the sole Shareholder dated 20 December 2018” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme).

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Group – 5. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the shares or underlying shares of our Company and its associated corporations which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position in the Shares

Name	Capacity/Nature of interest	As at the Latest Practicable Date		Immediately prior to the Share Offer and the Capitalisation Issue		Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding
SWL	Beneficial owner (Note)	1,000	100%	1,000	100%	750,000,000	75.0%

Note: The issued share capital of SWL is legally and beneficially owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong.

Save as disclosed above, our Directors and chief executives are not aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), have a beneficial interest or short position in the shares or underlying shares of our Company and its associated corporations which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with each of (i) Macy's Candies Limited; and (ii) Lee Tak Kong Alfred, (each a "**Cornerstone Investor**", collectively the "**Cornerstone Investors**") pursuant to which the Cornerstone Investors have agreed to subscribe, or cause entities designated by each of them to subscribe for in aggregate up to 10,000,000 new Shares in an aggregate amount of approximately HK\$5,000,000 based on the Offer Price of HK\$0.50 (being the low-end of the indicative Offer Price range), approximately HK\$5,250,000 based on the Offer Price of HK\$0.525 (being the mid-point of the indicative Offer Price range), or approximately HK\$5,500,000 based on the Offer Price of HK\$0.55 (being the high-end of the indicative Offer Price range) (the "**Cornerstone Placing**").

The total number of Offer Shares to be subscribed for by the Cornerstone Investors would represent (i) approximately 4.4% of the Placing Shares (assuming that the Over-allotment Option is not exercised); (ii) approximately 3.8% of the Placing Shares (assuming that the Over-allotment Option is fully exercised); (iii) 4.0% of the Offer Shares (assuming that the Over-allotment Option is not exercised); (iv) approximately 3.5% of the Offer Shares (assuming that the Over-allotment Option is fully exercised); (v) 1.0% of the Shares in issue upon completion of the Share Offer (assuming that the Over-allotment Option is not exercised); and (vi) approximately 1.0% of the Shares in issue upon completion of the Share Offer (assuming that the Over-allotment Option is fully exercised).

To the best knowledge of our Company, each of the Cornerstone Investors is independent of each other, and independent of our Company, its connected persons and their respective associates, and not an existing Shareholder or close associates of our Company.

The Cornerstone Placing will form part of the Placing and the Cornerstone Investors will not subscribe for any Offer Shares under the Share Offer other than pursuant to the cornerstone investment agreements. The subscription of the Offer Shares by each of the Cornerstone Investors shall comply with the applicable requirements of the Stock Exchange and the Listing Rules. The Offer Shares to be subscribed for by each of the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares then in issue upon completion of the Share Offer and to be listed on the Stock Exchange, and will be counted towards the public float of our Shares under Rule 8.08 of the Listing Rules. In the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, the Joint Lead Managers, with the consent from our Company, has the right to adjust the allocation of the number of Shares to be subscribed by each of the Cornerstone Investors in their sole and absolute discretion to satisfy the requirement under to Rule 8.08(3) of the Listing Rules. Immediately following completion of the Share Offer, the Cornerstone Investors will not have any representation on the Board, nor will each of the Cornerstone Investors become a Substantial Shareholder of our Company.

The Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the Shares between the Public Offer and the Placing in the event of over-subscription under the Public Offer as described in the section headed "Structure of the Share Offer – Reallocation" of this prospectus.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Public Offer to be published on Friday, 11 January 2019. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

CORNERSTONE INVESTORS

The table below sets forth the Offer Shares to be subscribed by the Cornerstone Investors as a percentage of the total number of Placing Shares, Offer Shares and total Shares in issue immediately following the Share Offer:

Cornerstone Investor	Indicative Offer Price (Note) HK\$	Number of Offer Shares agreed to be subscribed for by the Cornerstone Investor	Investment amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) HK\$	Approximate % of the total number of Placing Shares		Approximate % of the total number of Offer Shares		Approximate % of the total Shares in issue immediately following the Share Offer	
				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Macy's Candies Limited	0.50	5,000,000	2,500,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%
	0.525	5,000,000	2,625,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%
	0.55	5,000,000	2,750,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%
Lee Tak Kong Alfred	0.50	5,000,000	2,500,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%
	0.525	5,000,000	2,625,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%
	0.55	5,000,000	2,750,000	2.2%	1.9%	2.0%	1.7%	0.5%	0.5%

Note: Being the low-end, mid-point and high-end, respectively, of the indicative Offer Price range set out in this prospectus.

OUR CORNERSTONE INVESTORS

The background information of our Cornerstone Investors is set out below:

Macy's Candies Limited

Macy's Candies Limited ("Macy's Candies") was incorporated in Hong Kong on 31 May 1985. It is a subsidiary of Macy's Candies Holdings Ltd. The principal activity of Macy's Candies is a producer of hand-made chocolates and confectionaries for both the local and international traveler markets and Macy's Candies is part of the Macy's group of companies where the group is a diversified group of companies, providing a range of consumer products and services, including foods, confectionaries, liquor and tobacco products.

Lee Tak Kong Alfred

Mr. Lee Tak Kong Alfred ("Mr. Lee") is a Hong Kong resident. Mr. Lee is a director of InnoGreen Environmental Limited, an environmental protection company specialising in the design and contract based building of green covered architecture. Mr. Lee is also active in public services. He was appointed as a standing member of the 12th Chinese People's Political Consultative Conference Hebei Provincial Committee; a panel member in both Appeal Board Panel (Town Planning) and Appeal Board Panel (Consumer Goods Safety), a member of Working Group on External Lighting, and a project management committee under the Cleaner Production Partnership Programme launched by the Environmental Protection Department of Hong Kong.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription by each of the Cornerstone Investors is subject to, among things, the satisfaction of certain conditions precedent, including the following:

- (i) the Underwriting Agreements having been entered into, and having become unconditional and not having been terminated by the time and date as specified in the Underwriting Agreements in accordance with its original terms, or as subsequently varied by agreement of the parties thereto or waived (to the extent it may be waived) by the relevant parties thereto;
- (ii) the Offer Price having been agreed upon between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue or to be issued as described in this prospectus and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) the representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor and our Company in the relevant cornerstone investment agreement are (as of the date of the cornerstone investment agreement) and will be (as of the Listing Date) accurate and true in all material respects and not misleading and there being no material breach of the cornerstone investment agreement on the part of the relevant Cornerstone Investor; and
- (v) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Sole Sponsor and the Joint Lead Managers, he/it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by him/it pursuant to the relevant cornerstone investment agreement, other than transfer to any company wholly-owned by such Cornerstone Investor provided that the relevant Cornerstone Investor undertakes to procure that such company will, abide by the terms and restrictions imposed on the relevant Cornerstone Investor.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our combined financial information as of and for the Track Record Period, including the notes thereto, included in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with IFRSs. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under “Risk factors” and elsewhere in this prospectus.

OVERVIEW

We are a snacks company headquartered in Singapore primarily focused on the production, packaging and sale of nuts and chips with track record of more than 50 years. Our core products include roasted nuts, baked nuts, potato chips and cassava chips. Our products have been sold and distributed to over 10 countries, including Singapore, Malaysia, the PRC, India, the United Kingdom and Indonesia. For each of the three years ended 31 December 2017 and six months ended 30 June 2018, the sale of our nuts products accounted for approximately 74.9%, 77.7%, 77.7% and 75.7% of our revenue while the sale of our chips products accounted for approximately 20.1%, 17.8%, 18.4% and 19.3% of our revenue respectively.

BASIS OF PRESENTATION

The financial information of our Group has been prepared as if our Company had been the holding company of TSH, TSS, TSM and TZF throughout the Track Record Period.

The Group has consistently applied IFRSs that are effective for the financial year beginning on 1 January 2018 throughout the Track Record Period, including IFRS 15 Revenue from Contracts with Customers, except that the Group adopted IFRS 9 Financial Instruments on 1 January 2018 and IAS 39 Financial Instruments: Recognition and Measurement during the three years ended 31 December 2017. For details, please refer to note 3 to the accountants’ report set out in Appendix I to this prospectus. The Group considers that the adoption of IFRS 9 and IFRS 15 will not have a significant impact on our financial position and performance compared to the requirements of IAS 18 and IAS 39.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group’s financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below:

Pricing of our products and product mix

During the Track Record Period, our revenue was primarily derived from the sale of nuts and chips products. In determining our pricing strategies, we take into account a variety of factors, such as demand and supply of our products, anticipated market trends, retail prices of our competitors’ products, prevailing market prices of our materials and production costs. For further details of our pricing strategy, please refer to the section headed “Business – Marketing, sales and customers – Pricing and credit terms” of this prospectus. In addition, different products will generate different gross profit margins due to various factors such as cost of materials, production costs and pricing strategy.

FINANCIAL INFORMATION

The snacks industry generally faces strong competition, based upon factors including brand recognition, flavour, quality and price. Some of our competitors, in particular foreign companies, may have been in the snacks industry for a longer period of time or are backed by conglomerates in the food and beverages industry and thus have substantially greater resources to market and distribute their products. We may not be able to set the selling prices at desired levels for our products in response to changes in market trends, consumer preferences and market competition. If there is any significant change in our product mix and selling prices, our revenue and profitability will be affected.

Cost of materials

Our cost of materials mainly include material for our nuts and chips products namely various types of raw nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, as well as fresh potatoes and cassava roots. Other materials include seasoning and packaging materials. Our costs of materials accounted for approximately 84.9%, 86.0%, 85.5% and 85.3% of our cost of sales for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively.

The quality and price of our main materials are dependent on the output of the harvest which may be affected by events beyond our control such as natural disaster, infectious diseases, pest infestations and climate change. Please refer to the section headed “Business – Procurement and suppliers” of this prospectus for further details of our materials. It is important for us to obtain from our suppliers sufficient supply of high-quality materials at all times and at competitive prices for our production.

Further, we entered into long-term contracts with some of our customers (generally in the range from one year to five years) and the prices of our products are typically fixed for the duration of our contracts. We do not enter into any long-term contracts with our suppliers. There is no assurance that we will be able to pass on any price increase in materials to our customers which may then adversely affect our profitability and financial performance. Please refer to the paragraph headed “Principal components of combined statements of profit or loss and other comprehensive income – Cost of sales – Sensitivity analysis of cost of materials” in this section for further details of our sensitivity analysis of our cost of materials.

Our relationship with our customers

We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. Our revenue growth and financial performance is and will continue to be affected by our ability to maintain good business relationship with our customers. For the three years ended 31 December 2017 and six months ended 30 June 2018, revenue from our five largest customers accounted for approximately 57.9%, 54.9%, 56.9% and 54.7% of our total revenue, respectively. Revenue from our largest customer for the same period accounted for approximately 28.0%, 26.2%, 27.0% and 27.7% of our total revenue respectively. Please refer to the section headed “Business – Marketing, sales and customers – Sales and customers” of this prospectus for further details of our five largest customers. Although we have a long relationship with our major customers and entered into long-term contracts with some of our customers (generally in the range from one year to five years), there is no assurance that our customers will not terminate the contract or extend the duration of the contract. Should any of our five largest customers reduce substantially the size of their orders or terminate their business relationship with us entirely, there can be no assurance that we would be able to secure new business from other customers as replacement for our loss of sales. As such, our results of operations may be materially and adversely affected.

FINANCIAL INFORMATION

Our relationship with our suppliers

We procure a majority of our raw materials from overseas suppliers who are Independent Third Parties located in countries such as the U.S., the PRC, Australia and Vietnam. For the three years ended 31 December 2017 and six months ended 30 June 2018, purchases from our five largest suppliers amounted to approximately S\$21.8 million, S\$22.0 million, S\$22.1 million and S\$8.3 million, and accounted for approximately 58.4%, 56.4%, 59.5% and 52.3% of our total purchases respectively. Purchases from our largest supplier for the same periods amounted to approximately S\$11.6 million, S\$8.8 million, S\$8.1 million and S\$3.1 million, and accounted for approximately 31.2%, 22.6%, 21.9% and 19.2% of our total purchases respectively. Our ability to maintain long-term stable business relationships with our key suppliers to maintain sufficient supply of our materials is crucial for our results of operations. Please refer to the section headed “Business – Procurement and suppliers – Suppliers” of this prospectus for further details of our five largest suppliers.

Fluctuations in foreign exchange rates

During the Track Record Period, our Group recognised a net foreign exchange gain/(loss) of approximately S\$(0.6) million, S\$0.1 million, S\$0.3 million and S\$0.2 million respectively. The sales to our customers are mainly billed and settled in either US\$ or S\$. Our main materials such as walnuts, almonds, pistachios, macadamia and fresh potatoes are sourced overseas and paid in US\$, AUD or other foreign currencies. Therefore, we are exposed to foreign currency risk. Our profit margins and results of operations will be negatively affected when there is depreciation of foreign currencies against S\$ which we receive from our overseas sale of food products and appreciation of foreign currencies against S\$ which we pay for our overseas purchases of raw materials. Our Group therefore entered into certain derivative contracts with financial institutions to manage our foreign currency exposures. Please refer to the section headed “Business – Risk management and internal control systems – Foreign exchange risk” of this prospectus for further details of our foreign currency hedging.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with IFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 4 to the accountants’ report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgments, estimates and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgments made in applying our accounting policies are set forth in note 5 to the accountants’ report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following is a summary of the combined statements of profit or loss and other comprehensive income of our Group for each of three years ended 31 December 2017 and six months ended 30 June 2018 respectively, derived from the accountants' report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Revenue	50,304,930	57,326,980	55,511,946	27,071,081	29,687,441
Cost of sales	<u>(39,749,657)</u>	<u>(43,374,702)</u>	<u>(41,884,537)</u>	<u>(19,098,206)</u>	<u>(21,232,777)</u>
Gross profit	10,555,273	13,952,278	13,627,409	7,972,875	8,454,664
Other income	283,766	318,996	162,877	75,215	79,224
Other (losses) gains	(147,292)	(82,929)	190,527	(45,066)	189,403
Selling and distribution expenses	(2,153,395)	(2,696,659)	(2,222,493)	(972,179)	(1,084,292)
Administrative expenses	(4,202,778)	(4,457,511)	(4,428,809)	(1,743,422)	(2,099,328)
Finance costs	(257,910)	(220,302)	(127,060)	(71,248)	(36,821)
Listing expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,494,073)</u>
Profit before taxation	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
Income tax expense	<u>(809,278)</u>	<u>(1,102,476)</u>	<u>(1,228,531)</u>	<u>(971,510)</u>	<u>(996,027)</u>
Profit for the year/period	<u>3,268,386</u>	<u>5,711,397</u>	<u>5,973,920</u>	<u>4,244,665</u>	<u>3,012,750</u>

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was principally derived from the sale of nuts and chips. The following table sets forth a breakdown of our revenue for each of the three years ended 31 December 2017 and six months ended 30 June 2018.

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	37,655,982	74.9%	44,531,504	77.7%	43,158,435	77.7%	20,426,019	75.5%	22,477,969	75.7%
Chips	10,114,144	20.1%	10,217,144	17.8%	10,223,122	18.4%	5,371,936	19.8%	5,713,391	19.3%
Others (Note)	<u>2,534,804</u>	<u>5.0%</u>	<u>2,578,332</u>	<u>4.5%</u>	<u>2,130,389</u>	<u>3.9%</u>	<u>1,273,126</u>	<u>4.7%</u>	<u>1,496,081</u>	<u>5.0%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

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For each of the three years ended 31 December 2017 and six months ended 30 June 2018, the sale of our nuts products accounted for approximately 74.9%, 77.7%, 77.7% and 75.7% of our revenue while the sale of our chips products accounted for approximately 20.1%, 17.8%, 18.4% and 19.3% respectively. The product mix between the sale of our nuts and chips products were relatively stable during the Track Record Period.

Our revenue increased by approximately 14.0% from the year ended 31 December 2015 to the year ended 31 December 2016 mainly due to increase in the sales of our nuts products. Our Executive Directors believe that the increase in the sale of our nuts products is mainly due to increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create our brand and products awareness to our end customers. In addition, the earlier Chinese New Year period which fell in January 2017 led to a ramp up sales in the end of 2016. Our revenue decreased slightly by approximately 3.2% from the year ended 31 December 2016 to the year ended 31 December 2017 mainly because of the earlier Chinese New Year period which fell in January 2017 which led to a shorter period of ramp up sales in 2017. Our revenue increased by approximately S\$2.6 million from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which falls in February 2018 which led to a longer period of ramp up sales in the beginning of 2018. For further details, please refer to section headed “Financial information – Period to period comparison of results of operations” of this prospectus.

We principally sell our products on a wholesale basis to (i) key account customers which include supermarkets, hotels, airline and OEM customers; and (ii) distributors. The table below sets forth the breakdown of our revenue attributable to our principal sales channels during the Track Record Period:

	For the three years ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Key account										
customers	38,466,571	76.5%	42,804,926	74.7%	41,287,370	74.4%	21,245,563	78.5%	23,382,995	78.8%
Distributors	<u>11,838,359</u>	<u>23.5%</u>	<u>14,522,054</u>	<u>25.3%</u>	<u>14,224,576</u>	<u>25.6%</u>	<u>5,825,518</u>	<u>21.5%</u>	<u>6,304,446</u>	<u>21.2%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Our sales to key account customers accounted for approximately 76.5%, 74.7%, 74.4% and 78.8%, while our sales to distributors accounted for approximately 23.5%, 25.3%, 25.6% and 21.2% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. The composition of our sales to key account customers and distributors were relatively stable throughout the Track Record Period. As our sales to distributors normally increase towards the end of the year, the composition of our sales to distributors were relatively lower during the six months ended 30 June 2017 and 30 June 2018 as compared with the full financial year during the Track Record Period.

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Our products are sold and distributed to customers in over 10 countries. The table below sets forth the breakdown of our revenue by geographical location of our end customers during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Singapore	30,909,557	61.4%	33,512,712	58.5%	32,853,619	59.2%	16,821,781	62.1%	18,403,193	62.0%
Malaysia	11,148,971	22.2%	11,861,251	20.7%	13,126,229	23.6%	5,713,752	21.1%	6,416,596	21.6%
PRC (including Hong Kong)	4,502,463	9.0%	5,369,186	9.4%	4,559,952	8.2%	2,030,047	7.5%	1,891,273	6.4%
Others ⁽¹⁾	3,743,939	7.4%	6,583,831	11.4%	4,972,146	9.0%	2,505,501	9.3%	2,976,379	10.0%
Total	50,304,930	100.0%	57,326,980	100.0%	55,511,946	100.0%	27,071,081	100.0%	29,687,441	100.0%

Note:

(1) Others include India, the United Kingdom and Indonesia.

Our products were largely sold in (i) Singapore which accounted for approximately 61.4%, 58.5%, 59.2% and 62.0%; and (ii) Malaysia which accounted for approximately 22.2%, 20.7%, 23.6% and 21.6% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Our composition of sales by geographical location of our end consumers were relatively stable throughout the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018 respectively.

Cost of sales

During the Track Record Period, our cost of sales mainly comprise of materials, staff costs and overheads. The following table sets forth a breakdown of our cost of sales during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Materials	33,747,311	84.9%	37,298,113	86.0%	35,826,406	85.5%	16,323,594	85.5%	18,102,803	85.3%
Staff costs	2,406,185	6.1%	2,731,045	6.3%	2,694,665	6.4%	1,193,414	6.2%	1,332,895	6.3%
Overheads	3,596,161	9.0%	3,345,544	7.7%	3,363,466	8.1%	1,581,198	8.3%	1,797,079	8.4%
Total	39,749,657	100.0%	43,374,702	100.0%	41,884,537	100.0%	19,098,206	100.0%	21,232,777	100.0%

A further breakdown of cost of materials is indicated in the table below:

	For the three years ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017 (unaudited)		2018	
	S\$	%	S\$	%	S\$	%	S\$	%	S\$	%
Nuts	27,093,416	80.3%	30,267,157	81.2%	29,110,096	81.3%	13,103,086	80.3%	14,224,652	78.6%
Fresh potatoes and cassava roots	5,057,319	15.0%	5,387,543	14.4%	5,342,058	14.9%	2,392,130	14.7%	2,897,185	16.0%
Others (Note)	1,596,576	4.7%	1,643,413	4.4%	1,374,252	3.8%	828,378	5.0%	980,966	5.4%
Total	33,747,311	100.0%	37,298,113	100.0%	35,826,406	100.0%	16,323,594	100.0%	18,102,803	100.0%

Note: Others mainly include seasoning and packaging materials for our nuts and chips products and cost of disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

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Our costs of sales during the Track Record Period comprised (i) cost of materials, as shown in the breakdown above; (ii) staff costs for employees directly involved in the production of our nuts and chips products; and (iii) overheads which includes depreciation of our plant and equipment, rental of warehouse, utilities, transportation, freight and forwarding charges.

The composition of our cost of sales between materials, staff costs and overheads are relatively stable during the Track Record Period with materials being the major cost component which constitute more than 80% of our cost of sales. The composition of our materials are also relatively stable during the three years ended 31 December 2017 with raw nuts being the major materials for the production of our nuts products which constitute more than 75% of our cost of materials. The composition of fresh potatoes and cassava roots was slightly higher at approximately 16.0% of our total cost of materials for the six months ended 30 June 2018 due to an increase in average cost of fresh potatoes per tonne which were purchased between October 2017 to March 2018 at approximately 5.7% as compared to the average cost of fresh potatoes per tonne which were purchased between October 2016 to March 2017 as a result of depreciation of SGD against EURO (which is one of the main currencies in which our purchases of fresh potatoes were denominated in within this period).

The fluctuation in our cost of sales are generally in line with the fluctuation in our revenue. For further details, please refer to section headed “Financial information – Period to period comparison of results of operations” of this prospectus.

If our cost of sales increased by approximately 10.3%, 15.7%, 17.2% and 18.9% during the Track Record Period, respectively, with other variables remaining constant, we would reach breakeven for our profit before taxation for the respective year/period.

Sensitivity analysis of cost of materials

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 4.0% and 10.0%, which corresponds with the approximate historical year-on-year fluctuation of our cost of materials from 2015 to 2017 with other variables remaining constant, on our profit before taxation for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively:

	+/-4.0%	+/-10.0%
	S\$	S\$
Increase/decrease in profit before taxation		
Year ended 31 December 2015	-/ +1,349,892	-/ +3,374,731
Year ended 31 December 2016	-/ +1,491,925	-/ +3,729,811
Year ended 31 December 2017	-/ +1,433,056	-/ +3,582,641
Six months ended 30 June 2018	-/ +724,112	-/ +1,810,280

Sensitivity analysis of exchange rate fluctuation

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of respective entities in our Group.

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If the relevant foreign currency strengthening by 10% against the functional currency of each Group entity, profit or loss during the Track Record Period will (increase) decrease by:

	Year ended 31 December			Six months ended 30 June 2018
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Profit or loss				
– USD impact	(110,013)	(120,429)	37,729	94,019
– AUD impact	3,477	(37,876)	(1,655)	146,256
– Euro impact	(6,249)	(5,468)	(10,995)	–
– HKD impact	–	1,724	1,038	10,276
– RM impact	(98,071)	23,114	85,652	226,286
– Japanese Yen impact	–	–	–	716
– SGD impact	(119,366)	218,362	48,338	153,006
	<u>(330,222)</u>	<u>79,427</u>	<u>160,107</u>	<u>630,559</u>

A 10% weakening of relevant functional currency against the above currencies would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Please refer to note 33 to the accountants' report set out in Appendix I to this prospectus for further details.

Gross profit and gross profit margin

Our gross profit was approximately S\$10.6 million, S\$14.0 million, S\$13.6 million and S\$8.5 million for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. The following table set forth our gross profit and gross profit margin for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively.

	2015			For the year ended 31 December 2016			2017		
	Revenue S\$	Gross profit S\$	Gross profit margin %	Revenue S\$	Gross profit S\$	Gross profit margin %	Revenue S\$	Gross profit S\$	Gross profit margin %
Nuts	37,655,982	6,069,556	16.1%	44,531,504	9,544,186	21.4%	43,158,435	9,338,373	21.6%
Chips	10,114,144	3,850,033	38.1%	10,217,144	3,746,240	36.7%	10,223,122	3,765,384	36.8%
Others	<u>2,534,804</u>	<u>635,684</u>	25.1%	<u>2,578,332</u>	<u>661,852</u>	25.7%	<u>2,130,389</u>	<u>523,652</u>	24.6%
Total	<u>50,304,930</u>	<u>10,555,273</u>		<u>57,326,980</u>	<u>13,952,278</u>		<u>55,511,946</u>	<u>13,627,409</u>	
Overall gross profit margin			<u>21.0%</u>			<u>24.3%</u>			<u>24.5%</u>

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	For the six months ended 30 June					
	2017 (unaudited)			2018		
	Revenue S\$	Gross profit S\$	Gross profit margin %	Revenue S\$	Gross profit S\$	Gross profit margin %
Nuts	20,426,019	5,229,397	25.6%	22,477,969	5,883,445	26.2%
Chips	5,371,936	2,429,217	45.2%	5,713,391	2,213,838	38.7%
Others	<u>1,273,126</u>	<u>314,261</u>	24.7%	<u>1,496,081</u>	<u>357,381</u>	23.9%
Total	<u>27,071,081</u>	<u>7,972,875</u>		<u>29,687,441</u>	<u>8,454,664</u>	
Overall gross profit margin			<u>29.5%</u>			<u>28.5%</u>

The pricing of our Group's nuts and chips products are generally based on prices comparable to competitors for similar products. In addition, the cost of fresh potatoes and cassava roots are lower than the cost of raw nuts, thereby resulting in a lower cost of producing chips products. The cost of fresh potatoes and cassava roots accounted for approximately 50.0%, 52.7%, 52.3%, 44.5% (unaudited) and 50.7% of our revenue of chips products while cost of raw nuts accounted for approximately 71.9%, 68.0%, 67.4%, 64.1% (unaudited) and 63.3% of our revenue of nuts products for the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018 respectively. The percentage of cost of materials to revenue for our chips products was lower as compared to the percentage of cost of materials for our nuts products. As such, our chips products recorded a higher gross profit margin as compared to our nuts products.

The fluctuation in our total gross profit is in line with the fluctuation in our revenue. Our overall gross profit margin increased from approximately 21.0% for the year ended 31 December 2015 to approximately 24.3% for the year ended 31 December 2016 mainly due to decrease in the price of raw nuts. As stated in the Ipsos Report, the average prices of raw nuts in Singapore has decreased from approximately S\$12,920.30 per tonne in 2015 to approximately S\$11,135.30 per tonne in 2016. Our overall gross profit margin was relatively stable at approximately 24.5% for the year ended 31 December 2017. Average prices of raw nuts were higher in 2015 mainly due to drought conditions in the U.S. which affected the harvest supply. Our overall gross profit margin decrease from approximately 29.5% for the six months ended 30 June 2017 to approximately 28.5% for the six months ended 30 June 2018 mainly due to an increase in average cost of fresh potatoes per tonne which were purchased between October 2017 to March 2018 at approximately 5.7% as compared to the average cost of fresh potatoes per tonne which were purchased between October 2016 to March 2017 as a result of depreciation of SGD against EURO (which is one of the main currencies in which our purchases of fresh potatoes were denominated in within this period). For further details, please refer to section headed "Financial information – Period to period comparison of results of operations" of this prospectus.

Other income

The table below sets forth a breakdown of our other income for the year indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2015 S\$	2016 S\$	2017 S\$	2017 S\$ (unaudited)	2018 S\$
Government grants	211,455	162,111	62,180	50,626	31,556
Interest income	9,964	–	19,850	5,702	8,301
Rental income	2,000	63,590	51,181	16,356	38,969
Others	<u>60,347</u>	<u>93,295</u>	<u>29,666</u>	<u>2,531</u>	<u>398</u>
Total	<u>283,766</u>	<u>318,996</u>	<u>162,877</u>	<u>75,215</u>	<u>79,224</u>

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During the Track Record Period, our other income comprised (i) government grants, which mainly included Special Employment Credit whereby the Singapore government provide employers with continuing support to hire older Singaporean workers and persons with disabilities (please refer to section headed “Regulatory overview – Singapore – Special Employment Credit” (“SEC”) of this prospectus for further details) and Wage Credit Scheme whereby the Singapore government co-funded wage increases given to Singapore citizen employees (please refer to section headed “Regulatory overview – Singapore – Wage Credit Scheme” of this prospectus for further details); (ii) interest income, which represented interest earned on fixed deposits; (iii) rental income mainly for one property located at No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia (please refer to section headed “Business – Properties – Owned properties” of this prospectus for further details); and (iv) other income, which represented ad-hoc income such as insurance claims.

Other (losses) gains

Other (losses) gains refer to net exchange gain or loss, gain or loss on disposal of property, plant and equipment, fair value loss or gain on derivative instruments which relates to the hedging of foreign exchange and fair value gain on an investment property located at No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Staff costs	2,404,753	2,474,214	2,615,998	978,773	1,141,700
Repair and maintenance	667,837	787,628	595,171	161,213	319,601
Depreciation	241,010	256,490	279,180	132,738	135,149
Professional fees	208,577	115,237	282,693	77,390	101,962
Facility costs	107,254	114,226	110,814	52,129	55,418
Insurance	72,760	80,772	85,133	45,977	29,619
Others	<u>500,587</u>	<u>628,944</u>	<u>459,820</u>	<u>295,202</u>	<u>315,879</u>
Total	<u>4,202,778</u>	<u>4,457,511</u>	<u>4,428,809</u>	<u>1,743,422</u>	<u>2,099,328</u>

Our administrative expenses amounted to approximately 8.4%, 7.8%, 8.0%, 6.4% (unaudited) and 7.1% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018 respectively.

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Staff costs included staff salaries, bonus and CPF and EPF contributions, medical expenses and foreign workers related expenses. Repair and maintenance expenses mainly refer to the repair and maintenance of our machinery and equipment and motor vehicles. Depreciation refers to the depreciation of our property, plant and equipment which are not directly related to our production lines such as office equipment and furniture and fittings. Professional fees include audit fees, secretarial fees, legal fees and consultancy fees. Facility costs mainly refer to the upkeep and maintenance of our business premise such as land rent, property tax, cleaning materials, sewerage charges and pest control. Insurance refers to the insurance that we purchased, including, general liability insurance, public liability insurance and insurance for our workers (for further details of our insurance policies, please refer to the section headed “Business – Insurance” of this prospectus). Others mainly refer to printing, stationery, donations, phone and internet connection charges.

Selling and distribution expenses

Our selling and distribution expenses mainly refer to sales and marketing staffs’ salaries and CPF and EPF contributions as well as advertising and promotion expenses. Our selling and distribution expenses amounted to approximately 4.3%, 4.7%, 4.0%, 3.6% (unaudited) and 3.7% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2017 and 2018 respectively.

Finance costs

Finance costs mainly comprised of interest expenses on bank overdrafts and bank borrowings from financial institutions and finance leases for certain motor vehicles, plant and machineries.

Listing expenses

Listing expenses refer to professional fees incurred for the purpose of the Listing.

Income tax expense

Since our operation is based in Singapore and Malaysia our Group is subject to corporate income tax in accordance with the tax regulations of Singapore and Malaysia (please refer to the sections headed “Regulatory overview – Singapore – Singapore taxation” and “Regulatory overview – Malaysia – Income Tax Act 1967” of this prospectus for further details). Income tax expenses of our Group amounted to approximately S\$0.8 million, S\$1.1 million, S\$1.2 million and S\$1.0 million for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively.

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The income tax for the Track Record Period can be reconciled to the profit before tax as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Profit before taxation	<u>4,077,664</u>	<u>6,813,873</u>	<u>7,202,451</u>	<u>5,216,175</u>	<u>4,008,777</u>
Corporate income tax at 17%	693,203	1,158,358	1,224,417	886,750	681,492
Effect of different tax rate of group entities operating in different jurisdiction	118,124	169,599	129,816	166,332	176,970
Tax effect of expenses not deductible for tax purpose	73,708	268,428	213,565	156,820	265,895
Tax effect of income not taxable for tax purpose	(120,750)	(139,898)	(15,672)	(39,885)	–
Tax effect of tax allowance	–	(146,511)	–	–	–
Tax effect of tax exemption under corporate income tax	(63,836)	(67,733)	(57,019)	(56,960)	(52,791)
Effect of tax concessions	(28,422)	(231,366)	(284,782)	(142,391)	(74,042)
Underprovision in prior years/period	56,064	16,302	5,876	5,854	–
Others	<u>81,187</u>	<u>75,297</u>	<u>12,330</u>	<u>(5,010)</u>	<u>(1,497)</u>
Taxation for the year	<u>809,278</u>	<u>1,102,476</u>	<u>1,228,531</u>	<u>971,510</u>	<u>996,027</u>

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year/period divided by profit before taxation) were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
Effective tax rate	19.8%	16.2%	17.1%	18.6%	24.8%

Our effective tax rate was higher than the statutory corporate tax rate in Singapore of 17.0% for the year ended 31 December 2015 mainly because of tax underprovision in prior years and tax effect of expenses not deductible for tax purposes such as depreciation and donation.

Our effective tax rate for the year ended 31 December 2016 and 2017 of approximately 16.2% and 17.1% respectively were relatively consistent with the statutory corporate tax rate in Singapore of 17.0%.

Our effective tax rate was higher than the statutory corporate tax rate in Singapore of 17.0% for the six months ended 30 June 2018 mainly due to tax effect of expenses not deductible for tax purposes which mainly comprised of the listing expenses.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

The following table sets forth our revenue recognised for the two years ended 31 December 2016:

	For the year ended 31 December			
	2015		2016	
	S\$	%	S\$	%
Nuts	37,655,982	74.9%	44,531,504	77.7%
Chips	10,114,144	20.1%	10,217,144	17.8%
Others (Note)	<u>2,534,804</u>	<u>5.0%</u>	<u>2,578,332</u>	<u>4.5%</u>
Total	<u>50,304,930</u>	<u>100.0%</u>	<u>57,326,980</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

Our revenue increased by approximately S\$7.0 million or 14.0% from approximately S\$50.3 million for the year ended 31 December 2015 to approximately S\$57.3 million for the year ended 31 December 2016 mainly driven by the increase in the sale of our nuts products. Our Executive Directors believe that the increase in the sale of our nuts products is mainly due to an increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create our brand and products awareness to our end consumers as demonstrated from the increase in our selling and distribution expenses from approximately 4.3% of our total revenue for the year ended 31 December 2015 to approximately 4.7% of our total revenue for the year ended 31 December 2016. In addition, the earlier Chinese New Year period which fell in January 2017 led to a ramp up sales in the end of 2016. The revenue for our chips products and other revenue were relatively stable.

Cost of sales

Our cost of sales increased by approximately S\$3.6 million or 9.1% from approximately S\$39.7 million for the year ended 31 December 2015 to approximately S\$43.4 million for the year ended 31 December 2016 mainly due to the increase in cost of materials as we acquired more materials to fulfil increased orders from our customers during the year, consistent with the increase in revenue.

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Gross profit and gross profit margin

Our total gross profit increased by approximately S\$3.4 million or 32.2% from approximately S\$10.6 million for the year ended 31 December 2015 to approximately S\$14.0 million for the year ended 31 December 2016. Our overall gross profit margin was approximately 21.0% and 24.3% for the two years ended 31 December 2016 respectively. The table below showed our overall gross profit margins by products:

	For the year ended 31 December					
	2015			2016		
	Revenue S\$	Gross profit S\$	Gross profit margin %	Revenue S\$	Gross profit S\$	Gross profit margin %
Nuts	37,655,982	6,069,556	16.1%	44,531,504	9,544,186	21.4%
Chips	10,114,144	3,850,033	38.1%	10,217,144	3,746,240	36.7%
Others	<u>2,534,804</u>	<u>635,684</u>	25.1%	<u>2,578,332</u>	<u>661,852</u>	25.7%
Total	<u>50,304,930</u>	<u>10,555,273</u>		<u>57,326,980</u>	<u>13,952,278</u>	
Overall gross profit margin			<u>21.0%</u>			<u>24.3%</u>

The increase in our total gross profit was mainly due to the increase in the sale of our nuts products. Our overall gross profit margin increased from approximately 21.0% for the year ended 31 December 2015 to approximately 24.3% for the year ended 31 December 2016 mainly because of the increase in the gross profit margin from our nuts products. The gross profit margin for our nuts products increased from approximately 16.1% for the year ended 31 December 2015 to approximately 21.4% for the year ended 31 December 2016 mainly due to decrease in the price of raw nuts. As stated in the Ipsos Report, the average prices of raw nuts in Singapore has decreased from approximately S\$12,920.30 per tonne in 2015 to approximately S\$11,135.30 per tonne in 2016. Average prices of raw nuts were higher in 2015 mainly due to drought conditions in the U.S. which affected the harvest supply.

The gross profit margin for our chips products decreased slightly from 38.1% for the year ended 31 December 2015 to approximately 36.7% for the year ended 31 December 2016 mainly due to increase in the price of fresh potatoes. The cost of the fresh potatoes and cassava roots had increased by approximately 6.5% from approximately S\$5.1 million for the year ended 31 December 2015 to approximately S\$5.4 million for the year ended 31 December 2016 while our revenue for chips had remained relatively stable during the same period.

Other income

Our other income remained relatively stable at approximately S\$0.3 million and S\$0.3 million for the two years ended 31 December 2016.

Other (losses) gains

Our other losses were relatively stable at approximately S\$0.1 million and S\$0.1 million for the two years ended 31 December 2016.

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Administrative expenses

Our administrative expenses increased by approximately S\$0.3 million or 6.1% from approximately S\$4.2 million for the year ended 31 December 2015 to approximately S\$4.5 million for the year ended 31 December 2016. We recorded an increase in the entertainment expenses to celebrate the 50th anniversary of our business during the year ended 31 December 2016.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately S\$0.5 million or 25.2% from approximately S\$2.2 million for the year ended 31 December 2015 to approximately S\$2.7 million for the year ended 31 December 2016 mainly due to increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business.

Finance costs

Our finance costs decreased by approximately S\$38,000 or 14.6% from approximately S\$258,000 for the year ended 31 December 2015 to S\$220,000 for the ended 31 December 2016 due to repayment of our bank borrowings as we strive to fund our working capital with our cash instead to maximise profit.

Income tax expense

Our income tax expense increased from approximately S\$0.8 million for the year ended 31 December 2015 to approximately S\$1.1 million for the year ended 31 December 2016. Such increase was primarily due to the increase in profit before taxation as a result of increase in revenue and gross profit.

Profit for the year

Our profit for the year increased by approximately S\$2.4 million or 74.7% from approximately S\$3.3 million for the year ended 31 December 2015 to S\$5.7 million for the year ended 31 December 2016. Such increase was primarily due to the increase in our revenue and gross profit as discussed above.

Exchange differences arising on translation of foreign operation

Our headquarter is located in Singapore while our production facilities are located in Malaysia. The presentation currency of our Group is S\$ while the functional currencies are S\$ and RM which give rise to the exchange differences arising on translation of foreign operation classified under the other comprehensive expense/income. For the purpose of presenting the combined financial statements, the assets and liabilities of our operations in Malaysia are translated into S\$ using the exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. For the two years ended 31 December 2016, we recorded an expense on exchange differences arising from translation of foreign operation amounting to approximately S\$1.0 million and S\$0.2 million respectively. For the year ended 31 December 2017 and six months ended 30 June 2018, we recorded an income of approximately S\$0.2 million and S\$0.2 million respectively.

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Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

The following table sets forth our revenue recognised for the two years ended 31 December 2017:

	For the year ended 31 December			
	2016		2017	
	S\$	%	S\$	%
Nuts	44,531,504	77.7%	43,158,435	77.7%
Chips	10,217,144	17.8%	10,223,122	18.4%
Others (Note)	<u>2,578,332</u>	<u>4.5%</u>	<u>2,130,389</u>	<u>3.9%</u>
Total	<u>57,326,980</u>	<u>100.0%</u>	<u>55,511,946</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

Our revenue decreased by approximately S\$1.8 million or 3.2% from approximately S\$57.3 million for the year ended 31 December 2016 to approximately S\$55.5 million for the year ended 31 December 2017 mainly due to earlier Chinese New Year period which fell in January 2017 which led to a shorter period of ramp up sales in early 2017. The composition of our revenue between nuts, chips and others were relatively stable for the two years ended 31 December 2017.

Cost of sales

Our cost of sales decreased by approximately S\$1.5 million or 3.4% from approximately S\$43.4 million for the year ended 31 December 2016 to approximately S\$41.9 million for the year ended 31 December 2017 mainly due to decrease in cost of materials as we acquired less materials, consistent with the decrease in our revenue.

Gross profit and gross profit margin

The table below showed our total gross profit and overall gross profit margins by products:

	For the year ended 31 December					
	2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	S\$	S\$	%	S\$	S\$	%
Nuts	44,531,504	9,544,186	21.4%	43,158,435	9,338,373	21.6%
Chips	10,217,144	3,746,240	36.7%	10,223,122	3,765,384	36.8%
Others	<u>2,578,332</u>	<u>661,852</u>	<u>25.7%</u>	<u>2,130,389</u>	<u>523,652</u>	<u>24.6%</u>
Total	<u>57,326,980</u>	<u>13,952,278</u>		<u>55,511,946</u>	<u>13,627,409</u>	
Overall gross profit margin			<u>24.3%</u>			<u>24.5%</u>

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Our total gross profit decreased slightly by approximately S\$0.4 million or 2.3% from approximately S\$14.0 million for the year ended 31 December 2016 to approximately S\$13.6 million for the year ended 31 December 2017, consistent with the decrease in our revenue. Our overall gross profit margin and the gross profit margins recorded for nuts, chips and others were relatively stable for the two years ended 31 December 2017.

Other income

Our other income decreased by approximately S\$156,000 or 48.9% from approximately S\$319,000 for the year ended 31 December 2016 to approximately S\$163,000 for the year ended 31 December 2017. The decrease was mainly due to reduction in government grant under the Wage Credit Scheme as the quantum of increase in our staff salaries was lower.

Other (losses) gains

Our other (losses) gains increased from a loss of approximately S\$0.1 million for the year ended 31 December 2016 to a gain of approximately S\$0.2 million for the year ended 31 December 2017 mainly due to recognition of exchange gain as a result of appreciation of S\$ against US\$.

Administrative expenses

Our administrative expenses were relatively stable at approximately S\$4.5 million and S\$4.4 million for the two years ended 31 December 2017.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately S\$0.5 million or 17.6% from approximately S\$2.7 million for the year ended 31 December 2016 to approximately S\$2.2 million for the year ended 31 December 2017. We recorded a higher selling and distribution expenses for the year ended 31 December 2016 mainly due to higher advertising and promotional activities in conjunction with the 50th anniversary of our business.

Finance costs

Our finance costs declined by approximately S\$0.1 million or 42.3% from approximately S\$0.2 million for the year ended 31 December 2016 to S\$0.1 million for the ended 31 December 2017 mainly due to reduction in bank borrowings as we strive to fund our working capital with our cash instead to maximise profit.

Income tax expense

Our income tax expense increased from approximately S\$1.1 million for the year ended 31 December 2016 to approximately S\$1.2 million for the year ended 31 December 2017 consistent with the increase in our profit before taxation as a result of decrease in our selling and distribution expenses.

Profit for the year

Our profit for the year increased by approximately S\$0.3 million or 4.6% from approximately S\$5.7 million for the year ended 31 December 2016 to approximately S\$6.0 million for the year 31 December 2017 mainly because of decrease in our selling and distribution expenses.

FINANCIAL INFORMATION

Six months ended 30 June 2018 compared to six months ended 30 June 2017

Revenue

The following table sets forth our revenue recognised for the six months ended 30 June 2017 and 30 June 2018:

	For the six months ended 30 June 2017 (unaudited)		2018	
	S\$	%	S\$	%
Nuts	20,426,019	75.5%	22,477,969	75.7%
Chips	5,371,936	19.8%	5,713,391	19.3%
Others (Note)	<u>1,273,126</u>	<u>4.7%</u>	<u>1,496,081</u>	<u>5.0%</u>
Total	<u>27,071,081</u>	<u>100.0%</u>	<u>29,687,441</u>	<u>100.0%</u>

Note: Others mainly refer to items such as disposable towels which we normally sell together with our nuts and chips products to food and beverages companies.

Our revenue increased by approximately S\$2.6 million or 9.7% from approximately S\$27.1 million for the six months ended 30 June 2017 to approximately S\$29.7 million for the six months ended 30 June 2018 mainly due to a later Chinese New Year period which fell in February 2018 which led to a longer period of ramp up sales in the beginning of 2018.

Cost of sales

Our cost of sales increased by approximately S\$2.1 million or 11.2% from approximately S\$19.1 million for the six months ended 30 June 2017 to approximately S\$21.2 million for the six months ended 30 June 2018 consistent with the increase in our revenue.

Gross profit and gross profit margin

Our total gross profit increased by approximately S\$0.5 million or 6.0% from approximately S\$8.0 million for the six months ended 30 June 2017 to approximately S\$8.5 million for the six months ended 30 June 2018. Our overall gross profit margin was approximately 29.5% and 28.5% for the six months ended 30 June 2017 and 2018 respectively. The table below showed our total gross profit and overall gross profit margins by products:

	For the six months ended 30 June 2017 (unaudited)			2018		
	Revenue S\$	Gross profit S\$	Gross profit margin %	Revenue S\$	Gross profit S\$	Gross profit margin %
Nuts	20,426,019	5,229,397	25.6%	22,477,969	5,883,445	26.2%
Chips	5,371,936	2,429,217	45.2%	5,713,391	2,213,838	38.7%
Others	<u>1,273,126</u>	<u>314,261</u>	<u>24.7%</u>	<u>1,496,081</u>	<u>357,381</u>	<u>23.9%</u>
Total	<u>27,071,081</u>	<u>7,972,875</u>		<u>29,687,441</u>	<u>8,454,664</u>	
Overall gross profit margin			<u>29.5%</u>			<u>28.5%</u>

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The increase in our total gross profit was consistent with the increase in our revenue. Our overall gross profit margin decreased from approximately 29.5% for the six months ended 30 June 2017 to approximately 28.5% for the six months ended 30 June 2018 mainly because of an increase in average cost of fresh potatoes per tonne which were purchased between October 2017 to March 2018 at approximately 5.7% as compared to the average cost of fresh potatoes which were purchased between October 2016 to March 2017 as a result of depreciation of SGD against EURO (which is one of the main currencies in which our purchases of fresh potatoes were denominated in within this period).

Other income

Our other income was relatively stable at approximately S\$75,000 and S\$79,000 for the six months ended 30 June 2017 and 2018 respectively.

Other gains (losses)

We recognised a gain of approximately S\$189,000 for the six months ended 30 June 2018 as compared to a loss of approximately S\$45,000 for the six months ended 30 June 2017 mainly due to recognition of net exchange gain for the six months ended 30 June 2018 as a result of appreciation of S\$ against US\$ and AUD.

Administrative expenses

Our administrative expenses increased by approximately S\$0.4 million or 20.4% from approximately S\$1.7 million for the six months ended 30 June 2017 to approximately S\$2.1 million for the six months ended 30 June 2018 mainly due to increment of salaries and allowances to our staffs which led to the increase in staff cost and increase in purchase of machinery parts for the repair and maintenance of our machineries.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately S\$0.1 million or 11.5% from approximately S\$1.0 million for the six months ended 30 June 2017 to approximately S\$1.1 million for the six months ended 30 June 2018 mainly due to higher advertising and promotional activities for our Nature's Wonders products in Malaysia following its launch in Malaysia in the 4th quarter of 2017.

Finance costs

Our finance costs decreased by approximately S\$34,000 or 48.3% from approximately S\$71,000 for the six months ended 30 June 2017 to approximately S\$37,000 for the six months ended 30 June 2018 mainly due to lower bank borrowings during the 1st quarter of 2018.

Listing expenses

We incurred and recognised listing expenses of approximately S\$1.5 million for the six months ended 30 June 2018.

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Income tax expense

Despite the decrease in our profit before taxation as a result of the listing expenses, our income tax expense was relatively stable at approximately S\$1.0 million for the six months ended 30 June 2017 and 2018 respectively. This was mainly due to the tax effect of expenses not deductible for tax purposes which mainly comprised of the listing expenses.

Profit for the period

Our profit for the period decreased by approximately S\$1.2 million or 29.0% from approximately S\$4.2 million for the six months ended 30 June 2017 to approximately S\$3.0 million for the six months ended 30 June 2018 mainly due to the listing expenses incurred.

LIQUIDITY AND CAPITAL RESOURCES

Our source of funds for our operations mainly comes from cash generated from our operation, bank borrowings and funds advanced by our Executive Directors. Our primary uses of cash are for working capital needs and purchase of property, plant and equipment. Upon the Listing, our source of funds will be a combination of internal generated funds, bank borrowings and net proceeds from the Share Offer. As part of our liquidity risk management, we monitor our working capital to ensure that our financial obligations can be met when due by (i) ensuring a healthy bank balances and cash for payment of our short-term working capital needs; (ii) monitoring our trade receivables and its aging monthly and following up closely to ensure prompt payment from our customers; and (iii) monitoring our bank and finance lease payments. We believe a healthy cashflow is crucial for the continuity and profit of our business. Our finance team led by our finance manager will provide advice to the Board and coordinate with our sales and procurement teams to manage risks related to suppliers (such as credit terms provided by suppliers), customers (such as pricing strategy and credit period granted to customers) and banks (such as interest rate and cash level) so that we can attain an optimal cashflow position and maximised profit.

As at 31 October 2018, being the latest practicable date for the purpose of the disclosure of our liquidity position, we had bank balances and cash of approximately S\$3.1 million and unutilised banking facilities available for cash drawdown of approximately S\$3.7 million (please refer to the paragraph headed “Indebtedness – Unutilised banking facilities” in this section for further details).

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Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at 31 December 2015, 2016 and 2017, 30 June 2018 as well as 31 October 2018:

	As at 31 December 2015	As at 31 December 2016	2017	As at 30 June 2018	As at 31 October 2018 (unaudited)
	S\$	S\$	S\$	S\$	S\$
Current assets					
Inventories	10,604,966	9,495,844	11,438,186	10,184,155	8,695,911
Trade receivables	9,249,818	9,715,583	8,986,112	7,856,651	8,785,090
Other receivables, deposits and prepayments	1,010,410	923,154	633,007	3,984,342	3,261,983
Derivative financial instruments	157,178	33,918	7,271	6,195	6,195
Amounts due from related parties	462,170	267,300	198,915	66,835	27,025
Bank deposits	–	–	335,169	349,257	347,844
Bank balances and cash	593,434	2,057,013	3,141,621	1,891,566	3,117,816
	<u>22,077,976</u>	<u>22,492,812</u>	<u>24,740,281</u>	<u>24,339,001</u>	<u>24,241,864</u>
Current liabilities					
Trade and other payables	5,701,777	4,991,134	5,696,265	3,483,980	1,836,463
Derivative financial instruments	50,456	1,444	19,249	333	333
Amounts due to related parties	23,955	16,502	17,434	16,863	–
Amounts due to shareholders	3,200,932	2,691,072	3,695,086	–	–
Obligations under finance leases	36,662	24,853	17,989	15,864	11,212
Bank and other borrowings	3,035,158	1,627,753	494,135	2,485,973	3,724,568
Income tax payable	574,536	1,076,460	845,629	1,048,428	826,724
	<u>12,623,476</u>	<u>10,429,218</u>	<u>10,785,787</u>	<u>7,051,441</u>	<u>6,399,300</u>
Net current assets	<u>9,454,500</u>	<u>12,063,594</u>	<u>13,954,494</u>	<u>17,287,560</u>	<u>17,842,564</u>

The increase in our net current assets from approximately S\$9.5 million as at 31 December 2015 to approximately S\$12.1 million as at 31 December 2016 was primarily due to repayment to shareholders and financial institutions by internally generated fund which led to the decrease in the amounts due to shareholders and bank and other borrowings.

The increase in our net current assets from approximately S\$12.1 million as at 31 December 2016 to approximately S\$14.0 million as at 31 December 2017 was primarily due to increase in inventories as we have more raw materials in preparation for the production of our products ahead of the Chinese New Year festive period in February 2018.

The increase in our net current assets from approximately S\$14.0 million as at 31 December 2017 to approximately S\$17.3 million as at 30 June 2018 was primarily due to (i) decrease in our trade payables as we repay our suppliers; and (ii) repayment to shareholders.

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Our net current assets remained relatively stable at approximately S\$17.8 million as at 31 October 2018 although there was an increase in bank and other borrowings from approximately S\$2.5 million as at 30 June 2018 to approximately S\$3.7 million as at 31 October 2018. The increase in bank and other borrowings was mainly due to utilisation of trade financing facilities to repay our suppliers.

Cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Net cash from operating activities	2,587,995	8,274,430	7,317,836	5,624,247	1,220,294
Net cash used in investing activities	(2,580,015)	(1,360,312)	(1,316,278)	(413,270)	(98,244)
Net cash used in financing activities	<u>(2,170,749)</u>	<u>(4,892,190)</u>	<u>(4,639,443)</u>	<u>(3,550,448)</u>	<u>(2,926,702)</u>
Net (decrease)/increase in cash and cash equivalents	(2,162,769)	2,021,928	1,362,115	1,660,529	(1,804,652)
Effect of foreign exchange rate changes	18,820	(15,917)	(75,733)	4,817	30,095
Cash and cash equivalents at beginning of the year/period	<u>2,194,951</u>	<u>51,002</u>	<u>2,057,013</u>	<u>2,057,013</u>	<u>3,343,395</u>
Cash and cash equivalents at end of the year/period	<u>51,002</u>	<u>2,057,013</u>	<u>3,343,395</u>	<u>3,722,359</u>	<u>1,568,838</u>

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Operating activities

Our operating cash inflow is primarily derived from the sale of our nuts and chips products whereas our operating cash outflow mainly includes purchase of materials and staff costs. The following table sets forth a reconciliation of our profit before taxation to net cash from operating activities:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Operating activities					
Profit before taxation	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
<i>Adjustments for:</i>					
Net unrealised foreign exchange (gain)/loss	(471,353)	(233,901)	387,281	(462,848)	691,041
Depreciation of property, plant and equipment	1,426,468	1,479,499	1,574,410	725,610	826,089
Financial costs	257,910	220,302	127,060	71,248	36,821
Interest income	(9,964)	–	(19,850)	(5,702)	(8,301)
Loss/(gain) on disposal of property, plant and equipment	25,361	125,223	(4,784)	–	2,711
Fair value gain on an investment property	(153,559)	–	–	–	–
Fair value (gain) loss on derivatives instrument	<u>(333,567)</u>	<u>87,537</u>	<u>113,801</u>	<u>71,888</u>	<u>30,375</u>
Operating cash flow before movement in working capital	4,818,960	8,492,533	9,380,369	5,616,371	5,587,513
(Increase)/decrease in inventories	(4,123,197)	1,244,700	(2,123,987)	872,022	1,028,428
(Increase)/decrease in trade receivables	(1,382,669)	(415,841)	684,765	1,818,409	1,055,341
Decrease/(increase) in other receivables, deposits and prepayments	188,248	86,849	289,258	111,713	(2,880,728)
Decrease/(increase) in amounts due from related parties	1,245,995	289,216	(22,382)	44,369	127,025
Settlement of derivatives financial instrument	274,022	(13,289)	(69,349)	35,341	(48,215)
Increase/(decrease) in trade and other payables	2,340,929	(685,172)	671,900	(2,286,922)	(2,906,053)
Increase/(decrease) in amounts due to related parties	<u>23,955</u>	<u>(6,761)</u>	<u>596</u>	<u>(7,905)</u>	<u>(1,012)</u>
Cash generated from operations	3,386,243	8,992,235	8,811,170	6,203,398	1,962,299
Income taxes paid, net of refunds	<u>(798,248)</u>	<u>(717,805)</u>	<u>(1,493,334)</u>	<u>(579,151)</u>	<u>(742,005)</u>
Net cash from operating activities	<u><u>2,587,995</u></u>	<u><u>8,274,430</u></u>	<u><u>7,317,836</u></u>	<u><u>5,624,247</u></u>	<u><u>1,220,294</u></u>

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For the year ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018, the respective differences between our profit before taxation and our net cash from operating activities were mainly due to adjustments for depreciation of property, plant and equipment, net unrealised foreign exchange gain/loss, the amount and timing of receipts from our customers, the amount and timing of payments to our suppliers and movement of our inventories.

Investing activities

Our cash used in investing activities are primarily for the purchase of property, plant and equipment and investment property. Our cash generated from investing activities are primarily from the proceeds from disposal of property, plant and equipment.

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Purchase of property, plant and equipment	(1,647,533)	(1,499,824)	(1,448,217)	(511,213)	(107,388)
Additions to investment property	(945,185)	(225,467)	–	–	–
Interests received	9,964	–	19,850	5,702	8,301
Proceeds from disposal of property, plant and equipment	7,189	447,638	24,980	5,132	843
Advances to related parties	(4,450)	(87,109)	–	–	–
Repayment of advances to related parties	–	4,450	87,109	87,109	–
Net cash used in investing activities	(2,580,015)	(1,360,312)	(1,316,278)	(413,270)	(98,244)

For the year ended 31 December 2015, our net cash used in investing activities comprise of: (i) purchase of property, plant and equipment which comprise mainly a new packing machine; and (ii) purchase of investment property, located at No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor, Malaysia (please refer to the section headed “Business – Properties – Owned properties” of this prospectus for further details).

For the year ended 31 December 2016, our net cash used in investing activities mainly comprised of purchase of property, plant and equipment which includes forklifts and a packing machine.

For the year ended 31 December 2017, our net cash used in investing activities comprise of purchase of property, plant and equipment which mainly includes a digital laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size differences and installation of a cold room at one of our production facility in Johor, Malaysia.

For the six months ended 30 June 2018, our net cash used in investing activities mainly included purchase of property, plant and equipment such as check weigher which automatically weigh our packaged products accurately at high speed and laser coding and marking system for the purpose of identification of our products.

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Financing activities

Our cash used in financing activities during the Track Record Period included the following:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Financing activities					
Repayment of bank and other borrowings	(2,383,851)	(1,785,723)	(2,257,798)	(1,462,646)	(228,250)
Interest paid	(257,910)	(220,302)	(127,060)	(71,248)	(36,821)
Repayment to shareholders	(1,752,605)	(3,886,919)	(2,229,019)	(2,000,000)	(4,705,407)
Repayment of obligations under financial leases	(46,995)	(71,594)	(25,566)	(16,554)	(11,006)
Proceeds from bank and other borrowings	1,224,094	371,125	–	–	1,609,274
Issue cost paid	–	–	–	–	(231,092)
Consideration paid to shareholders of subsidiaries as part of Group Reorganisation	–	–	–	–	(332,000)
Advances from shareholders	<u>1,046,518</u>	<u>701,223</u>	<u>–</u>	<u>–</u>	<u>1,008,600</u>
Net cash used in financing activities	<u>(2,170,749)</u>	<u>(4,892,190)</u>	<u>(4,639,443)</u>	<u>(3,550,448)</u>	<u>(2,926,702)</u>

During the Track Record Period, our net cash used in financing activities mainly included (i) repayment of bank and other borrowings; (ii) interest paid; (iii) repayment to shareholders; (iv) issue cost paid; and (v) consideration paid to Mr. Winston Lim and Mr. Lawrence Lim to acquire 35.6% of TZF and TSM respectively as part of the Reorganisation (please refer to section headed “History, Reorganisation and corporate structure – Reorganisation” of this prospectus for further details) while our net cash from financing activities mainly included (i) advances from shareholders; and (ii) proceeds from bank and other borrowings.

Working capital

Our Directors are of the opinion that, taking into consideration the internal resources and facilities presently available to our Group, cash generated from our operation, and the estimated net proceeds to be received by us from the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

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INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated. As at 31 October 2018, being the latest practicable date for this indebtedness statement, save as disclosed below, we do not have any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities. Our Executive Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenant related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Please refer to the paragraph headed “Bank and other borrowings” below for a summary of the material covenants. Our Executive Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2018 and up to the date of this prospectus. Our Executive Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for material external debt financing.

	As at 31 December 2015	As at 31 December 2016	2017	As at 30 June 2018	As at 31 October 2018 (unaudited)
	S\$	S\$	S\$	S\$	S\$
Current liabilities					
Amounts due to related parties	23,955	16,502	17,434	16,863	–
Amounts due to shareholders	3,200,932	2,691,072	3,695,086	–	–
Obligations under finance leases	36,662	24,853	17,989	15,864	11,212
Bank and other borrowings	<u>3,035,158</u>	<u>1,627,753</u>	<u>494,135</u>	<u>2,485,973</u>	<u>3,724,568</u>
	<u>6,296,707</u>	<u>4,360,180</u>	<u>4,224,644</u>	<u>2,518,700</u>	<u>3,735,780</u>
Non-current liabilities					
Obligations under finance leases	53,355	33,570	14,868	5,987	11,351
Bank and other borrowings	<u>2,603,815</u>	<u>2,054,190</u>	<u>1,063,405</u>	<u>991,181</u>	<u>1,110,539</u>
	<u>2,657,170</u>	<u>2,087,760</u>	<u>1,078,273</u>	<u>997,168</u>	<u>1,121,890</u>
	<u><u>8,953,877</u></u>	<u><u>6,447,940</u></u>	<u><u>5,302,917</u></u>	<u><u>3,515,868</u></u>	<u><u>4,857,670</u></u>

The decrease in our total liabilities from approximately S\$9.0 million as at 31 December 2015 to approximately S\$6.4 million as at 31 December 2016 was primarily due to repayment to shareholders and financial institutions by internally generated fund which led to the decrease in the amounts due to shareholders and current and non-current bank and other borrowings.

The decrease in our total liabilities from approximately S\$6.4 million as at 31 December 2016 to approximately S\$5.3 million as at 31 December 2017 was primarily due to repayment to financial institutions by internally generated fund which led to the decrease in current and non-current bank and other borrowings.

The decrease in our total liabilities from approximately S\$5.3 million as at 31 December 2017 to approximately S\$3.5 million as at 30 June 2018 was primarily due to full repayment to shareholders although there was an increase in current bank and other borrowings from approximately S\$494,000 to S\$2.5 million. The increase in current bank and other borrowings was mainly due to utilisation of trade financing facilities to repay our suppliers.

The increase in our total liabilities from approximately S\$3.5 million as at 30 June 2018 to approximately S\$4.9 million as at 31 October 2018 was primarily due to increase in current and non-current bank and other borrowings from approximately S\$3.5 million to S\$4.8 million. The increase in bank and other borrowings was mainly due to utilisation of trade financing facilities to repay our suppliers.

FINANCIAL INFORMATION

Unutilised banking facilities

The table below summarises the details of our banking and other facilities as at 31 October 2018:

	Facility granted S\$	Utilisation S\$	Unutilised S\$
Term loan	4,210,300	4,210,300	–
Bank overdraft and trade financing	<u>6,114,619</u>	<u>2,406,919</u>	<u>3,707,000</u>
	<u><u>10,324,919</u></u>	<u><u>6,617,219</u></u>	<u><u>3,707,000</u></u>

Bank and other borrowings

The breakdown of our bank and other borrowings as at the respective dates indicated as follows:

	As at 31 December 2015	As at 31 December 2016	2017	As at 30 June 2018	As at 31 October 2018 (unaudited)
	S\$	S\$	S\$	S\$	S\$
Current liabilities					
Bank overdrafts	542,432	–	133,395	671,985	–
Bank borrowings	<u>2,492,726</u>	<u>1,627,753</u>	<u>360,740</u>	<u>1,813,988</u>	<u>3,724,568</u>
	3,035,158	1,627,753	494,135	2,485,973	3,724,568
Non-current liabilities					
Bank borrowings	<u>2,603,815</u>	<u>2,054,190</u>	<u>1,063,405</u>	<u>991,181</u>	<u>1,110,539</u>
	<u><u>5,638,973</u></u>	<u><u>3,681,943</u></u>	<u><u>1,557,540</u></u>	<u><u>3,477,154</u></u>	<u><u>4,835,107</u></u>

All of our Group's bank and other borrowings are guaranteed and secured.

Set out below is the maturity profile of our borrowings as at the respective dates indicated:

	As at 31 December 2015	As at 31 December 2016	2017	As at 30 June 2018	As at 31 October 2018 (unaudited)
	S\$	S\$	S\$	S\$	S\$
Within one year	3,035,158	1,627,753	494,135	2,485,973	3,724,568
Within a period of more than one year but not exceeding two years	486,602	335,394	205,578	214,988	205,259
Within a period of more than two years but not exceeding five years	1,157,503	540,560	679,653	707,728	681,381
Over five years	<u>959,710</u>	<u>1,178,236</u>	<u>178,174</u>	<u>68,465</u>	<u>223,899</u>
Total	<u><u>5,638,973</u></u>	<u><u>3,681,943</u></u>	<u><u>1,557,540</u></u>	<u><u>3,477,154</u></u>	<u><u>4,835,107</u></u>

FINANCIAL INFORMATION

Our bank and other borrowing mainly included bank overdraft for working capital purpose as well as loan for purchase of machinery and properties. As at 30 June 2018 and 31 October 2018, our bank and other borrowings are (i) secured by first legal mortgage over the Group's leasehold building and freehold land and building; and (ii) guaranteed by joint and several guarantees from the Executive Directors, which shall be released upon Listing and replaced by corporate guarantees granted by our Group to the extent that the borrowings are not repaid before Listing. For the three years ended 31 December 2017 and six months ended 30 June 2018, the effective interest rate per annum at variable rate for our bank and other borrowings were in the range of 4.50% to 6.66%, 4.56% to 6.78%, 4.55% to 6.60% and 3.40% to 5.26%.

The material covenants related to the above bank borrowings generally includes (i) maintain at a certain minimum net worth; (ii) purchase the relevant insurance as required by the banks; (iii) the equipment financed should not be disposed off either by sale or lease or let out on loan or hire during the loan tenor and must be used solely for our business; and (iv) obtain prior written consent from the bank for any security interest or encumbrance over mortgaged assets in respect of the loans. Our Executive Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

Obligations under finance leases

As at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, our total obligations under finance leases amounted to approximately S\$90,000, S\$58,000, S\$33,000, S\$22,000 and S\$23,000 respectively. Please refer to note 24 to the accountants' report set out in Appendix I to this prospectus for details of the present value of minimum lease payments in respect of our obligations under finance leases.

Obligations under finance leases relate to our purchase of motor vehicles by way of finance lease arrangement. Interest rates underlying all obligations under finance leases were fixed at respective contract dates and were 6.00% to 7.14% for the year ended 31 December 2015, 4.95% to 7.02% for the year ended 31 December 2016, 4.89% to 7.02% for the year ended 31 December 2017 and 4.89% to 7.02% for the six months ended 30 June 2018. The obligations under finance leases are unguaranteed and secured by charge over the leased assets with aggregate carrying value of S\$112,372, S\$146,610, S\$2,246, nil and nil, as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018 respectively.

Amounts due to shareholders

As at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, the amounts due to shareholders amounted to S\$3.2 million, S\$2.7 million, S\$3.7 million, nil and nil respectively.

Amounts due to related parties

As at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, the amounts due to related parties were trade related amounted to approximately S\$24,000, S\$17,000, S\$17,000, S\$17,000 and nil respectively. Please refer to note 20 to the accountants' report set out in Appendix I to this prospectus for the breakdown by related parties.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, we provided performance guarantee to certain customers with balances amounted to approximately S\$0.3 million, S\$0.3 million, S\$0.4 million, S\$0.4 million and S\$0.4 million respectively.

FINANCIAL INFORMATION

Capital commitments

The following table sets forth our commitments in respect of acquisition of property, plant and equipment as of the dates indicated:

	As at 31 December			As at	As at
	2015	2016	2017	30 June	31 October
	S\$	S\$	S\$	2018	2018
				(unaudited)	(unaudited)
				S\$	S\$
Investment property	220,633	–	–	–	–
Plant and equipment	–	74,740	–	–	–
	<u>220,633</u>	<u>74,740</u>	<u>–</u>	<u>–</u>	<u>–</u>

Operating lease commitments

The Group as lessee

Our Group leases land for our leasehold building in Singapore and properties for warehouse storage and accommodation for our workers (please refer to the section headed “Business – Properties – Leased properties” of this prospectus for further details). The following table sets forth our future minimum lease payments under non-cancellable operating leases as at the end of reporting period:

	As at 31 December			As at	As at
	2015	2016	2017	30 June	31 October
	S\$	S\$	S\$	2018	2018
				(unaudited)	(unaudited)
				S\$	S\$
Within 1 year	236,784	135,859	125,696	120,051	117,122
In the second to fifth years inclusive	292,704	316,841	355,869	325,079	320,887
Over 5 years	<u>1,142,527</u>	<u>1,257,038</u>	<u>1,194,186</u>	<u>1,162,760</u>	<u>1,141,810</u>
	<u>1,672,015</u>	<u>1,709,738</u>	<u>1,675,751</u>	<u>1,607,890</u>	<u>1,579,819</u>

For the land rent of the leasehold building, the lease is negotiated on an average of 20 years and leases will expire in year 2047. The current annual rental payable on the lease is subject to a revision every year at the rate based on the market rent to be determined by the lessor. The increase shall not exceed 5.5% of the current rental payable. At the end of the lease period, the terms are also subject to negotiation on renewals.

For the staff accommodation and warehouse, the lease is negotiated for 1 to 2 years and payments are fixed over the lease term with no contingent rent provision included in the contracts.

CAPITAL EXPENDITURES

During the Track Record Period, our Group’s capital expenditures have principally consisted of expenditures on property, plant and equipment and investment property. We incurred cash flows on capital expenditures for purchase of property, plant and equipment and additions to investment property in the amounts of approximately S\$2.6 million, S\$1.7 million, S\$1.4 million and S\$0.1 million for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively.

FINANCIAL INFORMATION

ASSETS AND LIABILITIES

The table below sets out our assets and liabilities as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Non-current asset				
Property, plant and equipment	17,550,032	16,448,051	18,190,843	17,879,287
Investment property	<u>1,226,733</u>	<u>1,419,554</u>	<u>1,447,368</u>	<u>1,483,988</u>
	<u>18,776,765</u>	<u>17,867,605</u>	<u>19,638,211</u>	<u>19,363,275</u>
Current assets				
Inventories	10,604,966	9,495,844	11,438,186	10,184,155
Trade receivables	9,249,818	9,715,583	8,986,112	7,856,651
Other receivables, deposits and prepayments	1,010,410	923,154	633,007	3,984,342
Derivative financial instruments	157,178	33,918	7,271	6,195
Amounts due from related parties	462,170	267,300	198,915	66,835
Bank deposits	–	–	335,169	349,257
Bank balances and cash	<u>593,434</u>	<u>2,057,013</u>	<u>3,141,621</u>	<u>1,891,566</u>
	<u>22,077,976</u>	<u>22,492,812</u>	<u>24,740,281</u>	<u>24,339,001</u>
Current liabilities				
Trade and other payables	5,701,777	4,991,134	5,696,265	3,483,980
Derivative financial instruments	50,456	1,444	19,249	333
Amounts due to related parties	23,955	16,502	17,434	16,863
Amounts due to shareholders	3,200,932	2,691,072	3,695,086	–
Obligations under finance leases	36,662	24,853	17,989	15,864
Bank and other borrowings	3,035,158	1,627,753	494,135	2,485,973
Income tax payable	<u>574,536</u>	<u>1,076,460</u>	<u>845,629</u>	<u>1,048,428</u>
	<u>12,623,476</u>	<u>10,429,218</u>	<u>10,785,787</u>	<u>7,051,441</u>
Net current assets	9,454,500	12,063,594	13,954,494	17,287,560
Non-current liabilities				
Obligations under finance leases	53,355	33,570	14,868	5,987
Bank and other borrowings	2,603,815	2,054,190	1,063,405	991,181
Deferred tax liabilities	<u>996,988</u>	<u>843,551</u>	<u>892,605</u>	<u>961,524</u>
	<u>3,654,158</u>	<u>2,931,311</u>	<u>1,970,878</u>	<u>1,958,692</u>
Capital and reserves				
Share capital	300,000	300,000	300,000	300,000
Reserves	<u>24,277,107</u>	<u>26,699,888</u>	<u>31,321,827</u>	<u>34,392,143</u>
Total equity	<u>24,577,107</u>	<u>26,999,888</u>	<u>31,621,827</u>	<u>34,692,143</u>

FINANCIAL INFORMATION

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Trade receivables

Our trade receivables as at 31 December 2015, 2016 and 2017 were approximately S\$9.2 million, S\$9.7 million and S\$9.0 million respectively which were generally in line with the fluctuation in our revenue. Our trade receivables as at 30 June 2018 decreased to approximately S\$7.9 million mainly due to earlier payment received from our customers.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	As at 31 December			As at
	2015	2016	2017	30 June
				2018
Trade receivables turnover days (<i>Note 1</i>)	61	60	61	51

Note:

- (1) Trade receivables turnover days is calculated based on the average beginning and ending balance of trade receivables divided by revenue during the year/period, then multiplied by the number of days of the year (365 days) or period (181 days).

The credit period that we granted to customers generally ranged from 30 to 60 days. Our trade receivables turnover days were approximately 61 days, 60 days, 61 days and 51 days for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively which were generally in line with the credit period granted to our customers.

Ageing analysis and subsequent settlement

The ageing analysis of trade receivables based on due date at each reporting date is as follows:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Not due	4,932,644	4,983,541	3,873,169	4,182,947
Within 60 days	4,110,839	4,696,513	5,053,941	3,413,270
61 days to 90 days	195,105	20,790	11,043	19,180
Over 90 days	11,230	14,739	47,959	241,254
	<u>9,249,818</u>	<u>9,715,583</u>	<u>8,986,112</u>	<u>7,856,651</u>

Our Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on repayment history of respective customers.

Up to the Latest Practicable Date, approximately 99.8% (or approximately S\$7.8 million) of our trade receivables as at 30 June 2018 had been settled.

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We review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts, if required. For our credit risk management, please refer to the section headed “Business – Risk management and internal control systems – Credit management” of this prospectus.

Other receivables, deposits and prepayments

The following table sets forth our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Advances to supplier	234,345	421,446	251,028	2,750,857
Goods and services tax receivables	542,111	125,167	89,872	157,781
Deposits	170,278	291,395	115,473	221,925
Prepayments	45,192	60,916	104,708	116,542
Deferred issue costs	–	–	–	472,951
Income tax recoverables	–	–	59,985	–
Others	<u>18,484</u>	<u>24,230</u>	<u>11,941</u>	<u>264,286</u>
	<u>1,010,410</u>	<u>923,154</u>	<u>633,007</u>	<u>3,984,342</u>

Our other receivables, deposits and prepayments were relatively stable at approximately S\$1.0 million and S\$0.9 million as at 31 December 2015 and 2016 respectively.

Our other receivables, deposits and prepayments decreased to approximately S\$0.6 million as at 31 December 2017 mainly due to decrease in advances to suppliers as a result of amount and timing of payments to our suppliers for the purchase of materials.

Our other receivables, deposits and prepayments increased to approximately S\$4.0 million as at 30 June 2018 mainly due to advances to supplier as we made our purchases of materials for the production of our products and deferred issue costs arising from the listing expenses. The significant increase in advances to supplier from approximately S\$0.3 million as at 31 December 2017 to approximately S\$2.8 million as at 30 June 2018 because we intend to secure a fixed price for our materials for the next few months and ensure the supplier will be committed to supply us with the required quantity of materials for the production of our nuts and chips products in view of the uncertainty arising from the trade war which could potentially affect the price and supply of materials since majority of our materials are procured from various overseas suppliers. Due to the new tariffs imposed by the United States and China on certain goods, the affected companies may seek for alternative supplies in other countries. For instance, there were news articles which note the increasing interest from China over Australian nuts. This will then drive up demand of materials in other countries which may lead to increase in price and decrease in supply.

Goods and services tax receivables refers to input tax, which are goods and services tax levied mainly on the purchase of materials for production of our nuts and chips products which are claimable from the relevant tax authorities. The fluctuation of our goods and services tax receivables was mainly due to the amount and timing of the purchase of materials. As at the Latest Practicable Date, approximately S\$152,000 or 96.4% of the goods and services tax receivables as at 30 June 2018 had been claimed and received from the relevant tax authorities.

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Advances to supplier refers to amount paid to supplier when we placed our purchase orders prior to receiving the materials. The fluctuation of advances to supplier was mainly due to the amount and timing of the purchase of materials. As at 30 June 2018, the advances to supplier comprise of Supplier B, Supplier E, Supplier D and other independent third party suppliers which accounted for approximately 64.8%, 21.7%, 8.1% and 5.4% of the total advances to supplier. The price for the materials secured by such advances to Supplier B, Supplier E and Supplier D as at 30 June 2018 were approximately 1.0% lower on average as compared to the average price paid by us to the same supplier for the same material between the year ended 31 December 2017 and the six months ended 30 June 2018 with the average price differential in the range of a discount of approximately USD0.67 per kilogram to a premium of approximately USD0.51 per kilogram. As at the Latest Practicable Date, approximately S\$2.6 million or 92.8% of the advances to supplier as at 30 June 2018 had been subsequently utilised. The remaining balance is expected to be fully utilised by April 2019. Our Directors are of the opinion that the remaining balance of the advances to suppliers can be fully utilised by April 2019 after taking into consideration (i) the planned shipment date with the respective suppliers for the utilisation of the remaining balances; and (ii) over 90% of the advances to suppliers as at 30 June 2018 were extended to Supplier B, Supplier D and Supplier E, all of which are one of the Group's top five suppliers during the Track Record Period with business relationship of at least three years.

Prepayments mainly relates to insurance premium, road tax for our vehicles, property tax, maintenance of our software licences, advertising expenses and professional fees for the Listing. The increase in our prepayments from approximately S\$45,000 as at 31 December 2015 to approximately S\$61,000 as at 31 December 2016 mainly due to increase in the prepayment for advertising expenses. Our prepayments continued to increase to approximately S\$105,000 as at 31 December 2017 mainly due to increase in the insurance premium on our inventories and machinery. Our prepayments further increase to approximately S\$117,000 as at 30 June 2018 mainly due to professional fees for the Listing. As at the Latest Practicable Date, approximately S\$94,000 or 80.3% of the prepayments as at 30 June 2018 had been subsequently utilised.

Deposits mainly comprise of deposits on utilities such as water and electricity, rental deposits, and deposits paid for renovation of property. Our deposits increased from approximately S\$170,000 as at 31 December 2015 to approximately S\$291,000 as at 31 December 2016 mainly due to deposit paid for renovation works on a property. Upon completion of the renovation, such deposit was utilised in 2017 which led to the decrease in our deposits to approximately S\$115,000 as at 31 December 2017. Our deposits increased from approximately S\$115,000 as at 31 December 2017 to approximately S\$222,000 as at 30 June 2018 mainly due to deposit paid for renovation works on a property. As at the Latest Practicable Date, S\$200 of the deposits as at 30 June 2018 had been utilised and the remaining amounts mainly relate to long term deposits on utilities and rental of properties while the renovation works on a property is ongoing.

FINANCIAL INFORMATION

Inventories

Our inventories comprised of raw materials, packaging materials, work-in-progress, finished goods and goods-in-transit. The following table set out a breakdown of our inventories as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Raw materials	3,773,184	3,829,448	4,807,971	4,040,063
Packaging materials	1,079,201	1,124,907	1,180,716	1,226,867
Work-in-progress	1,206,772	1,331,817	1,888,588	974,380
Finished goods	2,112,164	1,784,983	1,863,754	1,763,131
Goods-in-transit	<u>2,433,645</u>	<u>1,424,689</u>	<u>1,697,157</u>	<u>2,179,714</u>
	<u>10,604,966</u>	<u>9,495,844</u>	<u>11,438,186</u>	<u>10,184,155</u>

The following table sets forth our inventories turnover days during the Track Record Period:

	For the year ended 31 December			For the six
	2015	2016	2017	months
				ended
				30 June
				2018
Inventories turnover days (<i>Note 1</i>)	77	85	91	92

Note:

- (1) Inventories turnover days is calculated based on the average beginning and ending balance of inventories divided by the cost of sales during the year/period, then multiplied by the number of days of the year (365 days) or period (181 days).

Our raw materials primarily comprised various types of nuts and beans including peanuts, cashews, pistachios, almonds, macadamia nuts, USA walnuts, broad beans and green peas, as well as fresh potatoes. Packaging materials primarily comprised of plastic containers and jars, zipper foil bags, and foil rolls. Work-in-progress mainly represented unpacked finished goods. Finished goods are mainly our nuts and chips products which has been packed and sealed. Goods-in-transit represented finished goods which were in-transit to our customer's designated warehouse.

Our inventories decreased from approximately S\$10.6 million as at 31 December 2015 to approximately S\$9.5 million as at 31 December 2016 primarily due to decrease in the goods-in-transit which generally dependent on the timing and amount of order our customers placed with us. Our inventories increased to approximately S\$11.4 million as at 31 December 2017 primarily due to increase in our raw materials in preparation for the production of our nuts and chips products ahead of the Chinese New Year festive period which falls in February 2018. Our inventories decreased to approximately S\$10.2 million as at 30 June 2018 primarily due to decreased in our work-in-progress to meet the sales demand during the Hari Raya festive period.

FINANCIAL INFORMATION

Our inventory turnover days gradually increased during the Track Record Period consistent with the increase in our revenue as we need to keep sufficient inventories for the production of our nuts and chips products as well as to meet the sales demand from our customers.

As at the Latest Practicable Date, approximately 82.2% (or approximately S\$8.4 million) of our inventories as at 30 June 2018 was subsequently consumed and sold.

Amounts due from related parties

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the amounts due from related parties amounted to approximately S\$0.5 million, S\$0.3 million, S\$0.2 million and S\$67,000 respectively. The amounts due from related parties were settled as at the Latest Practicable Date.

Trade and other payables

The breakdown of our trade and other payables as at the respective dates indicated are as follows:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Trade payables	4,104,048	3,561,995	4,275,812	1,870,595
Trade accruals	1,119,931	808,905	404,632	251,565
Accrued operating expenses	305,613	312,943	587,297	99,736
Accrued issue costs/listing expense	—	—	—	967,437
Other payables	130,088	267,234	276,413	245,107
Deposits received	500	8,921	11,833	11,833
Advances from customers	41,597	31,136	140,278	37,707
	<u>5,701,777</u>	<u>4,991,134</u>	<u>5,696,265</u>	<u>3,483,980</u>

Trade payables

Our trade payables were relatively stable at approximately S\$4.1 million as at 31 December 2015, S\$3.6 million as at 31 December 2016 and S\$4.3 million as at 31 December 2017. Our trade payables decreased to approximately S\$1.9 million as at 30 June 2018 mainly due to earlier payment to our suppliers during the period. Our Executive Directors are of the view that such practice could maintain a good relationship with our suppliers.

FINANCIAL INFORMATION

Trade payables turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	As at 31 December			As at
	2015	2016	2017	30 June
				2018
Trade payables turnover days (<i>Note 1</i>)	32	32	34	26

Note:

- (1) Trade payables turnover days is calculated based on the average beginning and ending balance of trade payables divided by the cost of sales during the year, then multiplied by the number of days of the year (365 days) or period (181 days).

The credit period on purchases from suppliers provided to us ranged between 7 and 30 days. Some of our suppliers will also request for deposits or advances when we place our purchase orders.

Our trade payables turnover days were relatively stable at approximately 32 days, 32 days, 34 days and 26 days for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively and generally in line with the credit period granted to us by our suppliers.

Ageing analysis and subsequent settlement

The ageing analysis of trade payables based on due date is as follows:

	As at 31 December			As at
	2015	2016	2017	30 June
	S\$	S\$	S\$	2018
				S\$
Not due	2,440,845	2,226,810	1,490,332	1,464,731
Within 30 days	1,597,971	1,309,998	2,777,997	218,779
31 days to 90 days	65,232	25,187	6,428	179,666
More than 90 days	—	—	1,055	7,419
Total	<u>4,104,048</u>	<u>3,561,995</u>	<u>4,275,812</u>	<u>1,870,595</u>

Up to the Latest Practicable Date, approximately 99.9% (or approximately S\$1.87 million) of our trade payables as at 30 June 2018 had been settled.

Trade accruals

Trade accruals mainly refers to cost of sales which had been recognised but for which we had not yet received invoices from our suppliers as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively. Fluctuation in our trade accruals mainly due to timing difference in the receipt of invoices from suppliers as at the respective reporting dates.

FINANCIAL INFORMATION

Derivative financial instruments

Our derivative financial instruments relate to the foreign exchange forward contracts.

As we sell a majority of our food products overseas in which these sales are principally denominated in US\$ and source our main materials in which these purchases are principally denominated in US\$ and AUD, we are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations.

We generally hedge 30% of our expected monthly sales and purchases denominated in foreign currencies. As at the Latest Practicable Date, our outstanding foreign exchange forward currency contracts are: 1) to exchange AUD150,000 per month at a strike price of S\$/AUD of 0.99 from 28 May 2019 to 25 October 2019; 2) to exchange AUD300,000 per month at a strike price of S\$/AUD of 0.96 from 28 May 2019 to 25 October 2019; and 3) to exchange USD200,000 per month at a strike price of S\$/USD of 1.335 from 27 August 2018 to 19 July 2019. Please refer to note 21 to the accountants' report set out in Appendix I to this prospectus for details on the fair value of the foreign exchange forward and option contracts of our Group as at 31 December 2015, 2016, 2017 and 30 June 2018.

We have a committee in place, comprising of our finance manager and our Executive Directors. The committee meets regularly from time to time when necessary and is responsible for reviewing, researching and studying the future foreign exchange rates and the methods of hedging. In deciding whether to enter into any foreign currency hedging transactions, the committee will undertake a cautious approach and will consider factors including (i) the expected sales and purchases denominated in foreign currencies; (ii) the historical foreign exchange rates; and (iii) the perceived future foreign exchange rates. Our finance manager keeps track of our hedging activities and all hedging contracts have to be approved by our Executive Directors. As our sales and purchases will continue to be denominated in foreign currencies, we expect that we will continue to enter into hedging arrangements where necessary.

KEY FINANCIAL RATIOS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	(times)	(times)	(times)	(times)
Current ratio ⁽¹⁾	1.7	2.2	2.3	3.5
Gearing ratio ⁽²⁾	0.4	0.2	0.2	0.1

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	(%)	(%)	(%)	(%)
Gross profit margin ⁽³⁾	21.0	24.3	24.5	28.5
Profit before taxation margin ⁽⁴⁾	8.1	11.9	13.0	13.5
Profit for the year/period margin ⁽⁵⁾	6.5	10.0	10.8	10.1
Return on total assets ⁽⁶⁾	8.0	14.2	13.5	N/A ⁽⁸⁾
Return on equity ⁽⁷⁾	13.3	21.2	18.9	N/A ⁽⁸⁾

FINANCIAL INFORMATION

	As at 31 December			As at
	2015	2016	2017	30 June
	(days)	(days)	(days)	2018
				(days)
Trade receivable turnover days ⁽⁹⁾	61	60	61	51
Trade payables turnover days ⁽¹⁰⁾	32	32	34	26
Inventories turnover days ⁽¹¹⁾	77	85	91	92

Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
- (2) Gearing ratio is calculated as sum of bank and other borrowings, finance lease obligations, amounts due to related parties and shareholders divided by total equity as at the respective reporting dates.
- (3) Gross profit margin is calculated as gross profit divided by revenue.
- (4) Profit before taxation margin is calculated as profit before taxation divided by revenue.
- (5) Profit for the year/period margin is calculated as profit for the year/period divided by revenue.
- (6) Return on total assets is calculated as profit for the year divided by the total assets as at the respective reporting dates.
- (7) Return on equity is calculated as profit for the year divided by the total equity as at the respective reporting dates.
- (8) N/A denotes not applicable as the ratios are not meaningful given the recorded net profit only represented amount for six months ended 30 June 2018.
- (9) Trade receivable turnover days is calculated based on the average beginning and ending balance of trade receivables divided by revenue during the year/period, then multiplied by the number of days of the year (365 days) or period (181 days).
- (10) Trade payables turnover days is calculated based on the average beginning and ending balance of trade payables divided by the cost of sales during the year/period, then multiplied by the number of days of the year (365 days) or period (181 days).
- (11) Inventories turnover days is calculated based on the average beginning and ending balance of inventories divided by the cost of sales during the year/period, then multiplied by the number of days of the year (365 days) or period (181 days).

Current ratio

Our current ratio increased from 1.7 times as at 31 December 2015 to 2.2 times as at 31 December 2016 mainly due to repayment to shareholders and financial institutions which led to the decrease in the amounts due to shareholders and bank and other borrowings. Our current ratio remained relatively stable at approximately 2.3 times as at 31 December 2017. Our current ratio increased to approximately 3.5 times as at 30 June 2018 mainly due to repayment to our shareholders and our suppliers which led to decrease in amounts due to shareholders and trade payables.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio decreased from approximately 0.4 times as at 31 December 2015 to approximately 0.1 times as at 30 June 2018 as we progressively repay our bank and other borrowings as well as our shareholders. Our bank and other borrowings had decreased as our finance team, led by our finance manager had tactfully balanced our cash and loan level so that we could attain an optimal cash flow position and maximised profit.

Gross profit margin

Our gross profit margin was approximately 21.0%, 24.3%, 24.5% and 28.5% for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Please refer to the section headed “Financial information – Period to period comparison of results of operations” above for the explanations of our gross profit margin.

Profit before taxation margin

Our profit before taxation margin increased from approximately 8.1% during the year ended 31 December 2015 to approximately 11.9% during the year ended 31 December 2016 and further increased to 13.0% during the year ended 31 December 2017. Such fluctuation was mainly due to the fluctuation in our gross profit margin as explained above. Our profit before taxation margin declined from approximately 19.3% for the six months ended 30 June 2017 to approximately 13.5% for the six months ended 30 June 2018 mainly due to listing expenses incurred.

Profit for the year/period margin

Our profit for the year margin increased from approximately 6.5% during the year ended 31 December 2015 to approximately 10.0% during the year ended 31 December 2016 and further increased to approximately 10.8% for the year ended 31 December 2017. Such fluctuation was mainly due to the fluctuation in our profit before taxation margin as explained above. Our profit for the period margin declined from approximately 15.7% for the six months ended 30 June 2017 to approximately 10.1% for the six months ended 30 June 2018 mainly due to listing expenses incurred.

Return on total assets

Our return on total assets increased from approximately 8.0% for the year ended 31 December 2015 to approximately 14.2% for the year ended 31 December 2016. Such increase was mainly due to the increase in our profit for the year from approximately S\$3.3 million for the year ended 31 December 2015 to approximately S\$5.7 million for the year ended 31 December 2016. Our return on total assets for the year ended 31 December 2017 decreased to approximately 13.5% due to the increase in our total assets from (i) the increase in the carrying value of our leasehold building as a result of recognition of revaluation gain; and (ii) the increase in inventories primarily due to increase in our raw materials in preparation of the production of our nuts and chips products ahead of the Chinese New Year festive period which falls in February 2018.

FINANCIAL INFORMATION

Return on equity

Our return on equity increased from approximately 13.3% for the year ended 31 December 2015 to approximately 21.2% for the year ended 31 December 2016. Such increase was mainly due to the increase in our profit for the year from approximately S\$3.3 million for the year ended 31 December 2015 to approximately S\$5.7 million for the year ended 31 December 2016. Our return on equity for the year ended 31 December 2017 decreased to approximately 18.9% due to higher percentage increase in our equity as compared to the increase in our profit for the year ended 31 December 2017.

Trade receivables turnover days

Please refer to the paragraph headed “Discussion on selected balance sheet items – Trade receivables” in this section for the explanation on the trade receivables turnover days.

Trade payables turnover days

Please refer to the paragraph headed “Discussion on selected balance sheet items – Trade and other payables” in this section for the explanation on the trade payables turnover days.

Inventories turnover days

Please refer to the paragraph headed “Discussion on selected balance sheet items – Inventories” in this section for the explanation on the inventories turnover days.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 34 to the accountants’ report set out in Appendix I to this prospectus. During the Track Record Period, our transactions with related parties mainly include the following:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Sales of goods	418,200	474,420	512,472	136,106	2,609
Rental income	2,000	63,590	7,725	–	–
Payment on behalf	4,450	–	–	–	–
Purchase of goods	(23,955)	–	–	–	–
Rental expenses	–	–	(125,537)	(96,210)	(101,197)

FINANCIAL INFORMATION

The nature of the material related party transactions shown in the above table were as follows:

(i) Sale of goods to TST

TST is a private company limited by shares incorporated in Malaysia on 25 July 2002, which is owned as to 50% by Mr. Winston Lim and 50% by Mr. Lawrence Lim. TST is in the business of trader, manufacturer, agents and dealer in every kind of food and paper products.

For the three years ended 31 December 2017, our Group has sold our products to TST amounting to approximately S\$0.4 million, S\$0.5 million and S\$0.5 million respectively. Our Executive Directors confirmed that the sale of goods to TST were conducted in the ordinary course of business, on normal commercial terms and on arm's length basis after taking into consideration the quantity and timing of purchase as compared to transactions with Independent Third Parties customers. We have ceased such transactions with TST since 1 January 2018 and our Directors confirm that our Group has no intention of entering into similar transaction with TST after Listing.

DIVIDENDS AND DIVIDEND POLICY

Our Group declared dividends of approximately S\$1.6 million, S\$2.7 million and S\$3.2 million to the then respective shareholders in 2015, 2016 and 2017, respectively. All dividends declared had been settled. We intend to distribute at least 30% of our annual distributable earnings as dividends, subject to our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions (if any) and other factors which our Directors deem relevant. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 19 April 2018. As at the Latest Practicable Date, our Company had no reserves available for distribution to our Shareholders.

ESTIMATED LISTING EXPENSES

During the Track Record Period, we had incurred and recognised approximately HK\$8.6 million listing-related expenses in the profit and loss account. The total estimated expenses in relation to the Listing are approximately HK\$34.3 million, of which approximately HK\$32.0 million is borne by our Group and approximately HK\$2.3 million is borne by the Selling Shareholder. For the amount of approximately HK\$32.0 million borne by our Group, approximately HK\$9.2 million is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately HK\$22.8 million is expected to be charged to the profit or loss of our Group for the two years ending 31 December 2019. This calculation is based on the mid-point of our indicative Offer Price of HK\$0.525 per Share. The recognition of the listing expenses is expected to materially affect our financial results for the two years ending 31 December 2019. The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing.

FINANCIAL INFORMATION

PROPERTY INTERESTS

Savills Valuation and Professional Services (S) Pte Ltd and Savills (Malaysia) Sdn Bhd, both being an independent property valuer, have valued the properties owned by our Group as of 30 September 2018 and are of the opinion that the value of our properties located in Malaysia was RM19.6 million while our property in Singapore was S\$6.8 million. For further details of our owned properties, please refer to the section headed “Business – Properties – Owned properties” of this prospectus. The full text of the letter, a summary of values and the valuation certificates issued by Savills Valuation and Professional Services (S) Pte Ltd and Savills (Malaysia) Sdn Bhd are set out in Appendix III to this prospectus. The table below shows a reconciliation of the amount of the properties as reflected in our consolidated statements of financial position as at 30 June 2018 as set out in Appendix I to this prospectus with the valuation of the properties as at 30 September 2018 as set out in Appendix III to this prospectus:

	S\$
Net carrying values as at 30 June 2018	
– Leasehold building	6,800,000
– Freehold building	2,091,075
– Freehold land	2,866,795
– Investment property	<u>1,483,988</u>
Total net carrying values of properties as at 30 June 2018	13,241,858
Depreciation for three months ended 30 September 2018	<u>(75,983)</u>
Total net carrying values of properties as at 30 September 2018	13,165,875
Net valuation surplus	<u>233,452</u>
Valuation as at 30 September 2018	<u><u>13,399,327</u></u> <i>(Note)</i>

Note: Valuation amount of properties in Malaysia was translated at exchange rate of S\$1 to RM2.97.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances that would give rise to the disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on strengthening our market position in the snacks industry particularly in the nuts and chips categories in Singapore and Malaysia. As far as we are aware, our industry remained relatively stable after the Track Record Period and up to the date of this prospectus, with no material adverse change in the general economic and market conditions in Singapore and Malaysia, or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. We recorded an increase in our revenue for the ten months ended 31 October 2018 as compared to our revenue in the comparative period in the last year. The average selling price of our main nuts products for the ten months ended 31 October 2018 (i) remained relatively stable for almonds and peanuts; (ii) increased for macadamia nuts and cashew nuts mainly due to the phasing out of certain bigger sized packets of nuts in replacement of smaller sized packet of nuts where the price per kilogram of smaller sized packets of nuts are relatively higher than the price per kilogram of bigger sized packets of nuts; and (iii) decreased for walnuts mainly due to decrease in the cost of raw walnuts with the appreciation of S\$ against US\$ (the main currency in which our purchases of raw walnuts were denominated in), as compared to the average selling price of our main nuts products for the ten months ended 31 October 2017. The average selling price of our chips products for the ten months ended 31 October 2018 remained relatively stable as compared to the ten months ended 31 October 2017. The sales volume of our main nuts products (i) increased by approximately 63.6% for the ten months ended 31 October 2018 as compared to the six months ended 30 June 2018; and (ii) decreased by approximately 7.5% for the ten months ended 31 October 2018 as compared to the ten months ended 31 October 2017 mainly contributed by decrease in sales volume for peanuts as we believe consumers are shifting their preference towards premium nuts whereby we recorded increase in the sales volume for macadamia nuts, walnuts and almonds in the same period. The sales volume of our chips products (i) increased by approximately 61.7% for the ten months ended 31 October 2018 as compared to the six months ended 30 June 2018; and (ii) increased by approximately 10.4% for the ten months ended 31 October 2018 as compared to the ten months ended 31 October 2017. We expect our overall gross profit margin to remain relatively stable for the year ending 31 December 2018. Our net current assets remained relatively stable at approximately S\$17.8 million as at 31 October 2018 although there was an increase in bank and other borrowings from approximately S\$2.5 million as at 30 June 2018 to approximately S\$3.7 million as at 31 October 2018. The increase in bank and other borrowings was mainly due to utilisation of trade financing facilities to repay our suppliers.

FINANCIAL INFORMATION

Apart from the abovementioned impact of listing expenses which has also lead to higher effective tax rate due to its nature being a non-deductible expenses for tax purpose, and expected higher administrative expenses due to an increase in purchase of machinery parts for the repair and maintenance of our machineries, our Executive Directors do not foresee any material adverse change in our revenue for the year ending 31 December 2018. Our Executive Directors further confirm that save for the impact of the listing expenses, there has been no event, nor material adverse change in our financial or trading position or prospects since 1 July 2018, which would have materially affected the information presented in our combined financial statements included in the accountants' report set forth in Appendix I to this prospectus.

OUR PROPOSED AUDITOR AFTER THE LISTING

Under Rule 19.20 of the Listing Rules, we, as an overseas issuer, must have our annual accounts audited by a person, firm or company who must be a practicing accounting of good standing, and that such person, firm or company must also be independent to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants. In addition, the firm of accountants must be either (i) qualified under the Professional Accountants Ordinance for appointment as an auditor of a company; or (ii) acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognised body of accountants.

After the Listing, Deloitte & Touche LLP ("**Deloitte Singapore**") will be the proposed auditor of our Group. We consider that Deloitte Singapore is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules on the basis that:

- (i) Deloitte Singapore is affiliated to a member firm of the Deloitte Touche Tohmatsu Limited network of firms;
- (ii) Deloitte Singapore is a firm registered with the Accounting and Corporate Regulatory Authority ("**ACRA**"), the national regulator of public accountants in Singapore. Deloitte Singapore is subject to ACRA's annual practice monitoring programme. ACRA reviews the firm and a selection of partners every year to evaluate as to whether they have complied with professional standards; and
- (iii) Deloitte Singapore is independent of our Group in accordance with ACRA's *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, developed largely based on the *Code of Ethics for Professional Accountants, 2016 Edition* promulgated by the International Ethics Standards Board for Accountants.

The audit partners of Deloitte Singapore are members of the Institute of Singapore Chartered Accountants ("**ISCA**"), the national accountancy body of Singapore. ISCA is a member of the International Federation of Accountants, a global organisation for the accountancy profession.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business strategies” of this prospectus for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (excluding the net proceeds from the Sale Shares) after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.525 per Share (being the midpoint of the indicative Offer Price range of HK\$0.50 to HK\$0.55 per Share) will be approximately HK\$73.0 million (approximately S\$12.7 million). Our Directors intend to apply the net proceeds from the Share Offer as follows:

	For the year ending 31 December			Total HK\$ million	Approximate percentage of net proceeds %
	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million		
Expansion of existing nuts and potato chips products					
– Purchase of oven roaster	2.3	–	–	2.3	3.2%
– Purchase of potato chips production line	10.9	–	–	10.9	14.9%
– Purchase of laser sorter	1.7	–	–	1.7	2.3%
– E-commerce platform	–	5.7	–	5.7	7.8%
– Advertising and marketing expenses in the PRC, Singapore and Malaysia	2.3	6.2	–	8.5	11.7%
Subtotal	17.2	11.9	–	29.1	39.9%
Production and launch of tortilla chips					
– Purchase of tortilla chips production line	5.2	–	–	5.2	7.1%
– Purchase of packaging machine	1.7	–	–	1.7	2.3%
– Upgrade of existing properties in Malaysia	4.0	–	–	4.0	5.5%
– Upgrade of office and storage facility	2.9	–	–	2.9	4.0%
– Advertising and marketing expenses in the PRC, Singapore and Malaysia	–	2.5	1.5	4.0	5.5%
Subtotal	13.8	2.5	1.5	17.8	24.4%
Expansion of workforce					
– Existing nuts and potato chips products	–	2.3	2.3	4.6	6.3%
– Tortilla chips	–	2.9	2.9	5.8	7.9%
– Sales and administrative	3.1	2.9	2.9	8.9	12.2%
Subtotal	3.1	8.1	8.1	19.3	26.4%
Working capital	4.0	2.8	–	6.8	9.3%
Total	38.1	25.3	9.6	73.0	100.0%

FUTURE PLANS AND USE OF PROCEEDS

Expansion of production capacity and sales of existing nuts and potato chips products

- approximately HK\$14.9 million (approximately S\$2.6 million), representing approximately 20.4% of the net proceeds will be used to purchase (i) an oven roaster to increase the production capacity of our nuts products; (ii) a potato chips production line to increase the production capacity of our potato chips products; and (iii) a laser sorter to detect and eject foreign materials and defects based on colour, structure, shape and size differences by the year ending 31 December 2019. During the three years ended 31 December 2017, six months ended 30 June 2018 and ten months ended 31 October 2018, the utilisation rate for the production of our nuts products were approximately 80%, 87%, 84%, 91% and 84% respectively while the utilisation rate for the production of our potato chips products were approximately 86%, 83%, 87%, 91% and 90% respectively. Due to the seasonality nature of our business, there are certain months of the year leading to the holiday and festive seasons where our production facilities are fully utilised to meet sales demand. During this time, we are also unable to cope with the demand from our existing customers and required to reschedule certain shipments. For instance, in November 2018, we have rescheduled shipment for orders of at least 6,000 cartons of our products amounting to at least USD230,000. Delay in the shipment to our existing customers also lead to our inability to capture the market demand while it is at its peak during the year. Further, our Group had only launched our Nature's Wonders product in Malaysia in the 4th quarter of 2017 and therefore our Nature's Wonders product penetration in Malaysia is still at the initial stage whereby consumers' awareness may be relatively low. With (i) fully utilised production facilities in certain months of the year leading to the holiday and festive season where we are unable to cope with the demand from our existing customers; (ii) nature of our products where we do not normally produce the finished goods a few months in advance to store as inventory due to their shelf life and also to ensure the quality and freshness of our products when sold to our customers; (iii) our products penetration in Malaysia is at the initial stage whereby we only launched our Nature's Wonders product in Malaysia in the 4th quarter of 2017; our Executive Directors are of the view that the abovementioned factors resulted in a lower growth of our Group as compared to the industry in Singapore, Malaysia and China. In view of the (i) long lead time (approximately one year) required to receive, install, calibrate and test our new machines and equipment prior to being operational; (ii) current high utilisation rate for the production of our nuts and potato chips products; and (iii) the potential growth as forecasted by Ipsos, we intend to purchase the abovementioned equipment and machinery to expand our production capacity of our nuts and potato chips products. Further, to prevent the occurrence of foreign materials in our products (please refer to section headed "Business – Non-compliances" of this prospectus for further details on the incident regarding sale of food product with foreign material), we intend to purchase an additional laser sorter to support the increase in the production capacity of our existing nuts and potato chips products. The following table sets out the estimated costs, type of machinery and the mode of funding for the equipment and machinery:

Types	Number of units	Funding from net proceeds		Debt financing		Total capital expenditure	
		HK\$ million	S\$ million	HK\$ million	S\$ million	HK\$ million	S\$ million
		(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)
Oven roaster	1	2.3	0.4	2.3	0.4	4.6	0.8
Potato chips production line	1	10.9	1.9	10.9	1.9	21.8	3.8
Laser sorter	1	1.7	0.3	–	–	1.7	0.3

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$5.7 million (approximately S\$1.0 million), representing approximately 7.8% of the net proceeds will be used to establish an e-commerce platform as an additional sales channel to sell our products. According to the Ipsos Report, e-commerce platforms are expected to drive demand for snack product purchases. Please refer to section headed “Industry overview – The snacks industry prospects in Singapore, Malaysia and China” of this prospectus for further details. Therefore, we intend to engage a digital consulting firm to expand our reach to technologically savvy consumers which include setting up and designing of our website, social media marketing, email marketing, content marketing and search engine optimisation to increase the sales of our products; and
- approximately HK\$8.5 million (approximately S\$1.5 million), representing approximately 11.7% of the net proceeds will be used as advertising and marketing expenses particularly in Singapore, Malaysia and the PRC to build our brand awareness among the end consumers to expand our market reach and potentially increase our revenue. Particularly in the PRC market, our Executive Directors understand that in addition to taking part in local exhibitions and trade fairs in places including Shanghai, Beijing and Chengdu, expansion of online sales via channels including Taobao and JD.com and brand advertisement via the WeChat platform, our distributor intends to set up a sales and distribution office in the PRC and employ a group of sales and marketing employees who will specifically market our nuts and chips products. Our Group shall extend advertising and promotion support to the distributor for sales and marketing purposes capped at specified amount as stipulated in the distributorship agreement. Our selling and distribution expenses accounted to approximately 4.3%, 4.7%, 4.0% and 3.7% of our total revenue for the three years ended 31 December 2017 and six months ended 30 June 2018 respectively. Our Executive Directors believed that the increase in the sale of our nuts products for the year ended 31 December 2016 was partly due to increase in our advertising and promotional activities in conjunction with the 50th anniversary of our business to create our brand and products awareness to our end consumers. Therefore, we intend to increase our advertising and marketing expenses to increase our market share in the snacks food industry in our major sales location.

Production and launch of tortilla chips

- approximately HK\$6.9 million (approximately S\$1.2 million), representing approximately 9.4% of the net proceeds will be used to purchase (i) a tortilla chips production line which includes mixer, oven, fryer and seasoning machine; and (ii) a packaging machine for the tortilla chips by the year ending 31 December 2019. According to the Ipsos Report, the market revenue generated from tortilla chips in Singapore had increased at a CAGR of approximately 5% from 2011 to 2016. The estimated market revenue from tortilla chips also recorded a year-on-year growth of approximately 5.7% in 2017. Beyond 2018, Ipsos expects the market revenue from tortilla chips in Singapore to continue to grow at CAGR of approximately 5.7% from 2018 to 2022. In Malaysia, the market revenue generated from tortilla chips had increased at a CAGR of approximately 10.4% from 2011 to 2016. The estimated market revenue from tortilla chips also recorded a year-on-year growth of approximately 9.5% in 2017. Beyond 2018, Ipsos expects the market revenue from tortilla chips in Malaysia to continue to grow at CAGR of approximately 12.1% from 2018 to 2022. Further, the number of major players offering tortilla chips products in Singapore and Malaysia respectively is less than five which is comparatively lesser than the major players offering traditional potato chips products at between five to ten players. Moving forward, we consider the prospects for tortilla chips category to be positive due to potential growths in these markets and the limited number of major players that offer such products, resulting in less competition involved. For further details, please refer to the section headed “Industry overview – Overview of the snacks industry in Singapore, Malaysia and China” of this prospectus. In view of the (i) potential growth of tortilla chips in Singapore and Malaysia as explained above and stated in the Ipsos Report; (ii) publicly available research report which forecasted growth in the sales of tortilla chips in Singapore; (iii) feedback from two of our top five

FUTURE PLANS AND USE OF PROCEEDS

customers during the Track Record Period who are also distributors in the respective local markets which are of the opinion that tortilla chips would be accepted by consumers in the markets that they are currently serving; (iv) both customers indicated that they will be keen to purchase and distribute the tortilla chips products from us when our tortilla production facilities are ready; (v) number of major players offering tortilla chips products in Singapore and Malaysia is less than five which is comparatively lesser than the major players offering traditional potato chips products at between five to ten players with most of these major players manufacturing tortilla chips overseas, outside of Malaysia and Singapore as indicated in the Ipsos Report and therefore lesser competition in these potentially growing markets our Group to operate in for tortilla chips products; (vi) masa has a relatively more stable supply with consistent quality as compared to cassava roots; (vii) our long term relationship with supermarket chains to market and sell our products; and (viii) our experience in the snacks industry having producing both potato and cassava chips, we intend to expand the offering of our chips products to include tortilla chips. For further information on our business strategies, please refer to the section headed “Business – Business strategies – Production and launch of tortilla chips” of this prospectus. The following table sets out the estimated costs, type of machinery and the mode of funding for the equipment and machinery:

Types	Number of units	Funding from net proceeds		Debt financing		Total capital expenditure	
		HK\$ million	S\$ million	HK\$ million	S\$ million	HK\$ million	S\$ million
		(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)
Tortilla chips production line	1	5.2	0.9	5.2	0.9	10.4	1.8
Packaging machine	1	1.7	0.3	1.7	0.3	3.4	0.6

- approximately HK\$6.9 million (approximately S\$1.2 million), representing approximately 9.5% of the net proceeds will be used to (i) upgrade our existing properties in Malaysia; and (ii) upgrade our storage facility and head office in Singapore by undertaking renovation on our existing properties to make full use of available space by the year ending 31 December 2019. To accommodate the new tortilla chips production line, we intend to upgrade our production facilities in Johor, Malaysia by renovating the existing properties. With the launch of our tortilla chips and the expansion of the production capacity and sales of our nuts and potato chips products, we anticipate more space will be required to store our inventories; and
- approximately HK\$4.0 million (approximately S\$0.7 million), representing approximately 5.5% of the net proceeds will be used as advertising and marketing expenses for the launch of tortilla chips. We intend to engage a brand and public relations and marketing agency for the creation of new brand for the tortilla chips. We will also embark on promotional and marketing activities for the tortilla chips including product sampling, traditional advertising channels such as print and in-store displays as well as social media.

FUTURE PLANS AND USE OF PROCEEDS

Expansion of workforce

- approximately HK\$4.6 million (approximately S\$0.8 million), representing approximately 6.3% of the net proceeds will be used to hire additional workers to operate the new oven roaster and potato chips production line planned to be purchased as discussed above and generally will cover two years worth of staff costs for the new hires. We intend to hire additional 28 workers to operate the new oven roaster and potato chips production line which includes 6 oven roaster operators, 2 potato chips line supervisors, 4 packaging machine operators, 6 potato chips production line operators, 6 packers, 3 quality control workers and 1 technician to maintain the new machines and equipment. Of the additional 28 workers, we plan to hire 8 local employees and 20 foreign employees. We estimated to incur staff cost including salaries and EPF contributions of approximately HK\$2.3 million (approximately S\$393,000) per annum or HK\$82,000 (approximately S\$14,000) per staff per annum, for these additional staffs. During the year ended 31 December 2017, we incurred approximately HK\$76,000 (approximately S\$13,000) per staff based on staff cost incurred on staffs with similar responsibilities and seniority;
- approximately HK\$5.8 million (approximately S\$1.0 million), representing approximately 7.9% of the net proceeds will be used to hire additional workers to operate the new tortilla chips production line planned to be purchased as discussed above and generally will cover two years worth of staff costs for the new hires. We intend to hire additional 35 workers to operate the new tortilla chips production line which includes 2 tortilla chips production line supervisors, 4 packaging machine operators, 6 tortilla chips production line operators, 6 packers, 5 quality control workers, 2 technicians to maintain the new tortilla chips production line, 6 storekeepers and 4 administrative staff. Of the additional 35 workers, we plan to hire 16 local employees and 19 foreign employees. We estimated to incur staff cost including salaries and EPF contributions of approximately HK\$2.9 million (approximately S\$500,000) per annum or HK\$82,000 (approximately S\$14,000) per staff per annum, for these additional staffs. During the year ended 31 December 2017, we incurred approximately HK\$76,000 (approximately S\$13,000) per staff based on staff cost incurred on staffs with similar responsibilities and seniority; and
- approximately HK\$8.9 million (approximately S\$1.5 million), representing approximately 12.2% of the net proceeds will be used to hire additional employees in sales and administrative department to support the expansion of our existing nuts and potato chips products as well as the production and launch of the tortilla chips and generally will cover two years worth of staff costs for the new hires. We intend to hire additional 6 employees which includes 2 employees in the accounts department, 2 sales manager and 2 store executives in the head office in Singapore. Of the additional 6 workers, we plan to hire 5 local employees and 1 foreign employee. We estimated to incur staff cost including salaries and CPF contributions of approximately HK\$2.9 million (approximately S\$500,000) per annum or HK\$479,000 (approximately S\$83,000) per staff per annum, for these additional staffs. During the year ended 31 December 2017, we incurred approximately HK\$455,000 (approximately S\$79,000) per staff based on staff cost incurred on staffs with similar responsibilities and seniority.

Working capital

- the remaining balance of approximately HK\$6.8 million (approximately S\$1.2 million), representing approximately 9.3% of the net proceeds will be used for additional working capital and other general corporate purposes by 31 December 2020.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.55 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will increase by approximately HK\$4.8 million (approximately S\$0.8 million). We intend to apply the additional net proceeds for the above purposes on a *pro-rata* basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.50 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will decrease by approximately HK\$4.8 million (approximately S\$0.8 million). We intend to reduce the net proceeds for the above purposes on a *pro-rata* basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$19.0 million (approximately S\$3.3 million), assuming an Offer Price of HK\$0.525 per Share, being the midpoint of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$19.9 million (approximately S\$3.5 million). If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will be approximately HK\$18.1 million (approximately S\$3.1 million). In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Singapore or Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as set out above.

REASONS FOR THE LISTING ON THE STOCK EXCHANGE

Our Executive Directors believe that the listing of the Shares on the Stock Exchange will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at the later stage. Currently, our Group relies on its internal funding, cash generated from its operation and bank borrowing for its existing business operations. We believe that the net proceeds from the Share Offer are necessary for the implementation of our future plans which requires considerable additional financial resources. Our Executive Directors believe that our Group and our Shareholders will benefit as a whole from the Listing for the following reasons:

(i) Proceeds from the Listing enable us to further expand our market position in the snacks industry

We have over 50 years of experience in the snacks industry particularly in the production of nuts. Our business has grown from a partnership to our current group of companies. Over the years, we have expanded our production facilities and products in support of continuous demand of our customers. Our Executive Directors are the second-generation and third-generation of the founders who first registered Tai Sun (Lim Kee) Co as a partnership in 1966.

FUTURE PLANS AND USE OF PROCEEDS

For the three years ended 31 December 2017, our revenue were relatively stable within the range of S\$50.0 million to S\$60.0 million. Our Directors are of the view that there is potential for higher growth in our revenue had it not due to (i) the limited range of our existing products to cater for changes in our consumers' taste and preferences; and (ii) we are discouraged from accepting ad-hoc or irregular high quantity orders as we also unable to cope with the demand from our existing customers and required to reschedule certain shipments particularly in certain months of the year leading to the holiday seasons where our production facilities are fully utilised to meet sales demand. For instance, in November 2018, we have rescheduled shipment for orders of at least 6,000 cartons of our products amounting to at least USD230,000. Delay in the shipment to our existing customers also lead to our inability to capture the market demand while it is at its peak during the year.

According to the Ipsos Report, chips are the largest category in the Singapore savoury snacks market, accounting for approximately 49.6% of the total market revenue for savoury snacks segment. Revenue generated from the nuts and seeds category followed closely behind, accounting for approximately 31.2% of the total market revenue for savoury snacks segment. Beyond 2018, the chips, nuts and seeds categories are anticipated to be the fastest growing categories whereby these categories are expected to grow at CAGRs of approximately 6.23% and 6.21% respectively from 2018 to 2022.

In the Malaysia market, potato-based snacks or chips accounted for approximately 22.8% of the savoury snacks market. Revenue generated from the nuts and seeds category followed closely behind, accounting for approximately 19.7% of the total market revenue of savoury snacks segment in Malaysia. Ipsos expects that the chips and nuts and seeds categories to grow at CAGRs of approximately 11.0% and 13.0% respectively from 2018 to 2022.

In the PRC, the savoury snacks segment (which include nuts and seeds and chips) grew at a CAGR of approximately 12.7% from 2011 to 2016. By the end of 2017, savoury snacks were estimated to value at approximately RMB99.9 billion, which saw a year-on-year growth rate of close to 16% from 2016. Ipsos expects the savoury snacks segment in China to grow at a CAGR of approximately 19.4% from 2018 to 2022. Noting that for the three years ended 31 December 2017 and six months ended 30 June 2018, our sales to the PRC (including Hong Kong) consumers amounted to approximately S\$4.5 million, S\$5.4 million, S\$4.6 million and S\$1.9 million respectively, we believe that there is considerable room for our penetration into the PRC (including Hong Kong) market.

Our success is built on our tradition to provide quality snacks to our customers. Riding on this tradition, our Executive Directors and the third generation management acknowledge the importance of product varieties and market expansion in order to strengthen our market position and ensure business continuity in the snacks industry. In view of the potential growth in demand for savoury snacks (including nuts, potato chips and tortilla chips) according to the Ipsos Report, we intend to achieve higher growth in the future by expanding and strengthening our market position in the snacks industry through (i) the production and launch of tortilla chips, a new chips product range by leveraging our branding and production capability strength; and (ii) the increase in the production capacity and sales of nuts and potato chips products. Please refer to section headed "Business – Business strategies" of this prospectus for further details.

We believe that a public listing can secure our long-term funding needs and increase our market exposure, which are important to our future expansion and success. In view of the long history of our Group, our Executive Directors consider that the Listing is a milestone in our corporate history and would uplift the status of the Group. Further, through the Listing process and compliance with the rules and regulations applicable to a listed company, we have improved our operational and financial reporting structure, which have reinforced our foundation and are considered to be beneficial and conducive to the healthy growth and long-term continuity of our Group and business.

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (excluding the net proceeds from the Sale Shares) after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.525 per Share (being the midpoint of the indicative Offer Price range of HK\$0.50 to HK\$0.55 per Share) of approximately HK\$73.0 million (approximately S\$12.7 million) will mainly be used to achieve the abovementioned business strategies. We intend to utilise the net proceeds together with debt financing to purchase new equipment and machinery which includes an oven roaster, a potato chips production line, a laser sorter, a tortilla chips production line and packaging machine. We also intend to expand our workforce to operate the new equipment and machinery as well as to provide sales and administrative support in line with our business expansion. In addition, we plan to upgrade our existing properties to accommodate the additional equipment and machinery and employees. Further, we plan to establish an e-commerce platform as an additional sales channel and increase our brand recognition and awareness among the consumers by increasing advertising and marketing expenses in the PRC, Singapore and Malaysia. For further details of our use of proceeds, please refer to paragraph headed “Use of proceeds” in this section.

As such, our Executive Directors believe that our business is sustainable given that (i) we have over 50 years of experience in the snacks industry; (ii) management continuity from the founder to the current third-generation management of our Group; (iii) our revenue were relatively stable during the Track Record Period; and (iv) through the Listing, we can secure long-term funding needs to carry out our business strategies to achieve higher growth and increase our market exposure by strengthening and expanding our market position in the snacks industry.

(ii) Alternative to debt financing

We have evaluated various factors between equity financing in the form of Listing and debt financing for the purpose of our business expansion and decided to proceed with the Listing after giving consideration to:

- (a) as at 30 June 2018, our bank balances and cash was approximately S\$1.9 million which is lower than our current portion of our bank and other borrowings of approximately S\$2.5 million and trade and other payables of approximately S\$3.5 million. We would require an estimated minimum monthly working capital of approximately S\$3.5 million mainly to meet our obligations to our suppliers, salaries to our staff, repayment of borrowings and payment of tax to regulatory authorities. We generally grant a 30 days to 60 days credit term to our customers from the date of invoice while the credit terms given by our suppliers are generally in the range of one week after shipment to 30 days. Some of our suppliers will also request for deposits or advances when we place our purchase orders. In view of this mismatch in our cash inflow and outflow periods which may affect our liquidity position, our Executive Directors are of the view that our Group shall at least reserve approximately S\$1.5 million in our bank balances and cash at all times to meet our obligations to our suppliers and short term creditors to maintain good relationship with our suppliers and ensure that there will be no disruptions to the supply of raw materials which is crucial to the production of our nuts and chips products, and therefore not sufficient to fund our business expansion;

FUTURE PLANS AND USE OF PROCEEDS

- (b) although we reported net cash from operating activities of approximately S\$7.3 million for the year ended 31 December 2017, such cash will need to be allocated for the purchase property, plant and equipment (average at approximately S\$1.5 million per annum based on the cash outflow for such purpose for the three years ended 31 December 2017) to replace and/or maintain our equipment machinery and repayment of bank and other borrowings (average at approximately S\$2.1 million per annum based on the cash outflow for such purpose for the three years ended 31 December 2017) to support our current business operations. The remaining net cash from operating activities of approximately S\$3.7 million is not sufficient to fund our expansion plans and it would take approximately 4 years to accumulate the required cash barring unforeseen circumstances. Further, the equipment and machinery for our expansion plans are all purchased from overseas which will take approximately one year to deliver, install, calibrate and test prior to being operational. In view of such long lead time, our Executive Directors are of the view that we may not be able to capture the current market growth in nuts, potato chips and tortilla chips should we fund our expansion plans with internally generated funds;
- (c) debt financing may subject us to various covenants which may restrict our ability to pay dividends or obtain additional financing. Besides, our existing banking facilities which mainly consist of bank overdraft and trade financing are generally short term in nature for our working capital purposes and cannot satisfy our long term capital needs for business expansion to increase our product range and market reach. Further, uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. In Singapore, the prime lending rate had increased from approximately 5.28% in January 2017 to approximately 5.33% in July 2018. In Malaysia, the base lending rate had increased from approximately 6.66% in January 2017 to approximately 6.91% in July 2018. As at 30 June 2018, the effective interest rate per annum for our variable rate bank borrowings were in the range of 3.40% to 5.26%; and
- (d) in contrast, funds raised through equity financing is a committed source of capital without interest expenses and maturity and may be applied for such uses as our Executive Directors may determine for the benefit of our Group.

We seek to maintain a capital structure which enables us to continue as a going concern, maximise Shareholders' returns and support our business expansion plans with a gearing ratio of not more than 50%. In view of the possibility of debt covenants which may restrict our ability to pay dividends or obtain additional financing and the current increasing trend of interest rates, our Executive Directors are of the view that a high gearing ratio will adversely affect our financial results and restrict our ability to obtain further financing to support our business operations and growth.

Further, the bank has indicated that the limit of the machinery loan made available to us will be approximately S\$3.6 million (equivalent to HK\$20.7 million) which is only approximately 49.4% of the total cost of equipment and machinery of approximately HK\$41.9 million required for our expansion plan.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING IN HONG KONG

We have evaluated various avenues for Listing, including Singapore and Malaysia, and decided that Hong Kong is the most suitable venue for our Group giving consideration to:

(a) Reputation and overall size and turnover of shares on the Stock Exchange

Hong Kong is one of the major international financial centre with established infrastructure attracting diverse and global investors, which provides a more liquid market and active secondary market. For the year ended 31 December 2017, the average daily turnover of stocks in Hong Kong was approximately HK\$88.2 billion (\$15.3 billion) in comparison with its regional peers, namely Singapore and Malaysia with approximately HK\$6.9 billion (\$1.2 billion) and HK\$4.7 billion (RM2.5 billion) of average daily turnover of stocks respectively. Given its reputation as an international financial centre and active trading activities in comparison with its regional peers, we believe that: (i) Hong Kong Stock Exchange has higher liquidity and greater exposure to a broader analyst and investment community which enable our Group to gain access to the capital market in Hong Kong for cost effective capital raising for future expansion and corporate finance exercises; and (ii) our enhanced corporate profile through listing in Hong Kong could facilitate our customer expansion.

(b) Hong Kong's position

Hong Kong is uniquely positioned as the key gateway between the PRC and international markets. The Stock Connect provides convenient and effective cross-border market access connecting the PRC with the world. Listing on the Stock Exchange will position ourselves nearer to the PRC market. Given that we have over 50 years of track record in the production, packaging and sale of nuts and chips, as well as ranked second in the Ipsos Report in terms of the total snacks industry market value in Singapore, we believe that we have a strong brand presence in Singapore. As the consumer market in Singapore is relatively small, we intend to expand our business by increasing our market share in other overseas market, particularly in the PRC by supporting the marketing activities undertaken by our distributor who distributes our products in the PRC market. Our Executive Directors understand that in addition to taking part in local exhibitions and trade fairs in places including Shanghai, Beijing and Chengdu, expansion of online sales via channels including Taobao and JD.com and brand advertisement via the WeChat platform, our distributor intends to set up a sales and distribution office in the PRC and employ a group of sales and marketing employees who will specifically market our nuts and chips products. Our Group shall extend advertising and promotion support to the distributor for sales and marketing purposes capped at specified amount as stipulated in the distributorship agreement and such amount shall be partially funded by our net proceeds. In view of the increasing spending power of consumers in the PRC, we believe that a listing in Hong Kong could provide an alternative advertising platform for our products, enhance our credibility and improve our visibility to the end consumers which could then potentially increase our sales particularly in the PRC market. As such, the Stock Exchange is our partner of choice for opportunities related to China's internationalization. It also has a diverse and robust secondary market to secure long-term funding to broaden our capital base for future development, especially our market penetration plan to the PRC market.

Our Executive Directors confirmed that other than this Listing, no application has been submitted for listing on any other stock exchange. Our Directors have confirmed that to the best of their knowledge and belief, there would be no impediments for our Company if we were to list on the Catalist of the Singapore Exchange Securities Trading Limited or the Main Market of the Bursa Malaysia Securities Berhad.

UNDERWRITING

UNDERWRITERS

Joint Lead Managers

Head & Shoulders Securities Limited

Vinco Capital Limited

I Win Securities Limited

Bookrunner

Head & Shoulders Securities Limited

Public Offer Underwriters

Head & Shoulders Securities Limited

I Win Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer is fully underwritten by the Underwriters on a conditional basis.

PUBLIC OFFER UNDERWRITING ARRANGEMENTS

Public Offer

The Public Offer Underwriting Agreement was entered into on 28 December 2018. Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer the Public Offer Shares for subscription by the members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8: 00 a.m. (Hong Kong time) on the Listing Date. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right, in their absolute determination, to terminate the obligations of the Sole Sponsor, the Joint Lead Managers, the Bookrunner and the Public Offer Underwriters under the Public Offer Underwriting Agreement upon the occurrence of any of the following events:

- (a) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms and/or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto), was, when it was made, not honestly made in any material respects; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement in a material respect or a material omission therefrom as considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or
 - (iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on any of the Underwriters); or
 - (iv) any breach, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by our Company, our Executive Directors and Controlling Shareholders contained in the Public Offer Underwriting Agreement to be untrue, incorrect, inaccurate or misleading in any material respect; or
 - (v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or
 - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (vii) our Company withdraws this prospectus and the Application Forms (and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus and the Application Forms or to the issue of this prospectus and the Application Forms; or
 - (ix) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies (Miscellaneous Provisions) Ordinance, the Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer; or
 - (x) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a revaluation or devaluation of the Singapore dollars or Hong Kong dollars against any foreign currencies, respectively) in or affecting Hong Kong, Singapore, Malaysia, the Cayman Islands, the BVI or any relevant jurisdiction where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1), Influenza A (H5N9) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the Tokyo Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Singapore Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Tokyo, Hong Kong, China, Singapore, the BVI or the Cayman Islands declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any litigation, legal action or claim being threatened or instigated against any member of our Group; or
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or
- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his position that leads to the circumstances where the operations of our Group will be materially and is likely, in the sole and absolute discretion of the Joint Lead Managers (acting reasonably for themselves and on behalf of the Public Offer Underwriters), be adversely affected; or
- (xii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

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- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Share Offer with the Listing Rules, the Articles of Association, the Companies (Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws by any of the warrantors under the Public Offer Underwriting Agreement; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or
- (xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed “Risk factors” of this prospectus;

which in each case in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (2) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (4) has or will have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer he/she/it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (b) in the period of six months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it, together with the other Controlling Shareholders, collectively would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company. Under the abovementioned arrangement, each of SWL, Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong shall not cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company during the second six-month period after Listing.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any Shares or other securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken with each of the Joint Lead Managers, the Bookrunner, the Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer and the Capitalisation Issue, we will not, and will procure our subsidiaries will not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or other securities of our Company or any shares or other securities of other member of our Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, has jointly and severally agreed and undertaken with the Joint Lead Managers, the Bookrunner, the Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer and the Capitalisation Issue, he/she/it will not, and will procure that his/her/its relevant registered holder(s) and associates will not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the Listing Rules,

- (a) at any time during the First Six-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or

UNDERWRITING

- that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares, capital or other securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time during the Second Six-Month Period:
- (i) enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above if, immediately following such transaction, he/she/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the Listing Rules) of our Company; and
 - (ii) until the expiry of the Second Six-Month Period: in the event that any of our Controlling Shareholders enters or agrees or contracts to or publicly announce an intention to enter into the foregoing transactions, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the Shares or other securities of our Company.
- (c) Each of our Controlling Shareholders has undertaken to our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:
- (i) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 10.07 of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
 - (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.
- (d) Our Company undertakes to and covenants with the Joint Lead Managers and the Public Offer Underwriters that our Company shall forthwith inform the Joint Lead Managers and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (c) above, and our Company shall disclose such matters by way of an announcement to be published in accordance with the Listing Rules and shall comply with all requirements of the Stock Exchange.

UNDERWRITING

PLACING

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers to subscribe for, or failing which they shall subscribe for, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above in this section.

COMMISSION AND EXPENSES

The Underwriters will receive an underwriting commission at the rate of 3.45% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$34.3 million in aggregate (based on an Offer Price of HK\$0.525 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.55 per Offer Share and HK\$0.50 per Offer Share) and is paid or payable by our Company and Selling Shareholder.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Underwriting Agreements, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 25,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below; and
- (ii) the Placing of an aggregate of 225,000,000 Placing Shares comprising 175,000,000 new Shares being offered by our Company for subscription and 50,000,000 Sale Shares being offered by the Selling Shareholder for sale (subject to reallocation as mentioned below and the Over-allotment Option).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Offer Shares in the Placing.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of Shares which may be allotted and issued by the Company upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme).

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer (without taking into account of Shares which may be allotted and issued by the Company upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme).

The Public Offer is open to all members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B. Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 50% of the Public Offer Shares initially available under the Public Offer (i.e. 12,500,000 Public Offer Shares) will be rejected.

Applications

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.55 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$5,555.43 for one board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" of this section below, is less than the maximum Offer Price of HK\$0.55 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed "How to apply for Public Offer Shares" of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Placing Shares offered

Subject to reallocation as described below, the Placing will initially consist of 225,000,000 Shares (comprising 175,000,000 new Shares to be offered by our Company for subscription and 50,000,000 Sale Shares to be offered by our Selling Shareholder for sale), representing 90% of the total number of Offer Shares initially available under the Share Offer. Subject to any reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme). The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares will be effected in accordance with the "book-building" process based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

REALLOCATION

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (I) Where the Placing Shares are fully subscribed or oversubscribed:
 - (a) if the Public Offer Shares are undersubscribed, the Joint Lead Managers have the authority (but shall not be under any obligations) to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, the Joint Lead Managers may at their sole discretion reallocate up to 25,000,000 Offer Shares to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased up to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option);
 - (c) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option);
 - (d) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option); and
 - (e) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option).
- (II) Where the Placing Shares are undersubscribed:
- (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (b) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing (as the Joint Lead Managers deem appropriate), so that the total number of the Offer Shares available under the Public Offer will be increased up to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Overallotment Option).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (I)(b) above; or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (II)(b) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.50 per Offer Share) stated in this prospectus in accordance with Guidance Letter HKEX-GL-91-18 issued by the Stock Exchange.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (I)(b), (I)(c), (I)(d), (I)(e) and (II)(b) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Lead Managers for themselves and on behalf of the Placing Underwriters.

Pursuant to the Over-allotment Option, the Joint Lead Managers have the right, exercisable at any time from the Listing Date until the 30th day after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, at the same price per Offer Share under the Placing to cover overallocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, Head & Shoulders Securities Limited, as the Stabilising Manager or its authorised agents, may, but are not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidate this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Public Offer.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STOCK BORROWING ARRANGEMENT

The Stabilising Manager or its authorised agents may borrow up to 37,500,000 Shares from the Selling Shareholder equivalent to the maximum number of additional Shares to offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

PRICING AND ALLOCATION

Determining the Offer Price

The Joint Lead Managers will solicit from prospective investors the indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer. Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or before Monday, 7 January 2019, and in any event not later than 5:00 p.m. on Wednesday, 9 January 2019, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) and the number of Offer Shares to be allocated under the Share Offer will be determined shortly thereafter.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Price range

The Offer Price will be not more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.55 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$5,555.43 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.55 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest. If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 5:00 p.m. on Wednesday, 9 January 2019, the Share Offer will not proceed and will lapse.

For details, please refer to the section headed “How to apply for Public Offer Shares” of this prospectus.

Change to the number of Offer Shares being offered and/or Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company, change the number of the Offer Shares being offered and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer.

In this case, we shall cause to be published, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

- (a) an announcement of the change on the website of the Stock Exchange at **www.hkexnews.hk** and our Company’s website at **www.taisun.com.sg**. The announcement will include a confirmation or revision, as appropriate, of the working capital statement and the offering statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

Upon issue of such announcement, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised number of the Offer Shares and/or Offer Price range.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement published in relation to the reduction in the number of Offer Shares being offered and/or the Offer Price range, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Announcement of offer price and the basis of allocations

Announcement of the final Offer Price together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on or before Friday, 11 January 2019 on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.taisun.com.sg.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be allotted and issued pursuant to the Capitalisation Issue and Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before 5:00 p.m. on Wednesday, 9 January 2019, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.taisun.com.sg on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares" of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Friday, 11 January 2019 but will only become valid documents of title at 8:00 a.m. on Monday, 14 January 2019 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Public Offer underwriting arrangements – Grounds for termination" of this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 14 January 2019, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 14 January 2019. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 1767.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

HONG KONG REGISTER OF MEMBERS

Our principal register of members will be maintained by our Principal Share Registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Hong Kong branch register of members will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar.

STAMP DUTY

Dealings in our Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. Therefore a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form; or
- (b) apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Bookrunner, the Joint Lead Managers may accept or reject it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- are a director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person or a core connected person (both as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are an associate or a close associate (both as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 December 2018 until 12:00 noon on Friday, 4 January 2019 from:

- (a) any of the following address of the Public Offer Underwriters:

Head & Shoulders Securities Limited	Room 2511, 25/F, Cosco Tower 183 Queen's Road Central Hong Kong
Vinco Capital Limited	Units 4909-4910, 49/F The Center 99 Queen's Road Central Hong Kong
I Win Securities Limited	Room 1916 Hong Kong Plaza 188 Connaught Road West Sai Wan Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) or any of the following designated branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
	Happy Valley Branch	G/F, 18A-22 King Kwong Street, Happy Valley
Kowloon	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 December 2018 until 12:00 noon on Friday, 4 January 2019 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – TS Wonders Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Monday, 31 December 2018	–	9:00 a.m. to 5:00 p.m.
Wednesday, 2 January 2019	–	9:00 a.m. to 5:00 p.m.
Thursday, 3 January 2019	–	9:00 a.m. to 5:00 p.m.
Friday, 4 January 2019	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 January 2019, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are jointly applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Bookrunner and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Lead Managers, the Bookrunner and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System at **<https://ip.ccass.com>** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Selling Shareholder, the Sole Sponsor, the Bookrunner, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated to you under the application;
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares nor participated in the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to disclose your personal data to our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 31 December 2018	–	9:00 a.m. to 8:30 p.m.
Wednesday, 2 January 2019	–	8:00 a.m. to 8:30 p.m.
Thursday, 3 January 2019	–	8:00 a.m. to 8:30 p.m.
Friday, 4 January 2019	–	8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 31 December 2018 until 12:00 noon on Friday, 4 January 2019 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 4 January 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Public Offer Shares” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 31 December 2018 until 11:30 a.m. on Friday, 4 January 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 4 January 2019 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 4 January 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of a company;
- control more than half of the voting power of a company; or
- hold more than half of the issued share capital of a company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer the section headed “Structure and conditions of the Share Offer – Pricing and allocation – Price payable on application” of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the application lists do not open and close on Friday, 4 January 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of the indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 11 January 2019 on our Company’s website at **www.taisun.com.sg** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our Company’s website at **www.taisun.com.sg** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 11 January 2019;
- (b) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 11 January 2019 to 12:00 midnight on Thursday, 17 January 2019;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 11 January 2019 to Wednesday, 16 January 2019 (excluding Saturday, Sunday and Public Holidays in Hong Kong); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Friday, 11 January 2019 to Tuesday, 15 January 2019 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicant have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot respectively.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(vii) our Company or the Joint Lead Managers believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

(viii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.55 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 11 January 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Share and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, 11 January 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Monday, 14 January 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Public Offer underwriting arrangements – Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 11 January 2019 or such other date as notified by us on the website of our Company at www.taisun.com.sg or on the website of the Stock Exchange at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 11 January 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 11 January 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Friday, 11 January 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If you are applying as a CCASS Investor Participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 11 January 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply via electronic application instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 11 January 2019 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "11. Publication of results" above on Friday, 11 January 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 11 January 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 11 January 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 11 January 2019.

(d) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 11 January 2019 or such other date as notified by our Company on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.taisun.com.sg as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 11 January 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-76, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TS WONDERS HOLDING LIMITED AND VINCO CAPITAL LIMITED

Introduction

We report on the historical financial information of TS Wonders Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-76, which comprises the combined statements of financial position of the Group as at 31 December 2015, 2016, 2017 and 30 June 2018, the statement of financial position of the Company as at 30 June 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 December 2017 and the six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-76 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016, 2017 and 30 June 2018, of the Company's financial position as at 30 June 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustment***

The Historical Financial Information is stated after making such adjustment to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about dividends declared and paid by the Company's subsidiaries and states that no dividend was declared and paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 December 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information of the Group**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Tai Sun (Lim Kee) Food Industries Pte. Ltd ("TSS") and its subsidiaries for the Track Record Period and the management accounts of the Company and Tai Sun Holding Limited ("TSH") for the periods from their respective dates of incorporations to 30 June 2018 (collectively referred to as "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of TSS and its subsidiaries were audited by Deloitte & Touche LLP Singapore, a firm of Public Accountants and Chartered Accountants registered in Singapore, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Singapore dollars ("S\$").

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		S\$	S\$	S\$	S\$	S\$
					(unaudited)	
Revenue	6	50,304,930	57,326,980	55,511,946	27,071,081	29,687,441
Costs of sales		<u>(39,749,657)</u>	<u>(43,374,702)</u>	<u>(41,884,537)</u>	<u>(19,098,206)</u>	<u>(21,232,777)</u>
Gross profit		10,555,273	13,952,278	13,627,409	7,972,875	8,454,664
Other income	7	283,766	318,996	162,877	75,215	79,224
Other (losses) gains	8	(147,292)	(82,929)	190,527	(45,066)	189,403
Selling and distribution expenses		(2,153,395)	(2,696,659)	(2,222,493)	(972,179)	(1,084,292)
Administrative expenses		(4,202,778)	(4,457,511)	(4,428,809)	(1,743,422)	(2,099,328)
Finance costs	9	(257,910)	(220,302)	(127,060)	(71,248)	(36,821)
Listing expenses		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,494,073)</u>
Profit before taxation	10	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
Income tax expense	11	<u>(809,278)</u>	<u>(1,102,476)</u>	<u>(1,228,531)</u>	<u>(971,510)</u>	<u>(996,027)</u>
Profit for the year/period		<u>3,268,386</u>	<u>5,711,397</u>	<u>5,973,920</u>	<u>4,244,665</u>	<u>3,012,750</u>
Other comprehensive (expense) income						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation of foreign operation		(1,047,326)	(181,486)	185,465	34,475	237,045
<i>Item that will not be reclassified to profit or loss:</i>						
Revaluation of property, plant and equipment, net of tax		<u>181,763</u>	<u>(427,800)</u>	<u>1,691,573</u>	<u>96,826</u>	<u>152,521</u>
Other comprehensive (expense) income for the year/period		<u>(865,563)</u>	<u>(609,286)</u>	<u>1,877,038</u>	<u>131,301</u>	<u>389,566</u>
Total profit and other comprehensive income for the year/period		<u>2,402,823</u>	<u>5,102,111</u>	<u>7,850,958</u>	<u>4,375,966</u>	<u>3,402,316</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2015	2016	2017	2018
NOTES		S\$	S\$	S\$	S\$
NON-CURRENT ASSETS					
Property, plant and equipment	15	17,550,032	16,448,051	18,190,843	17,879,287
Investment property	16	<u>1,226,733</u>	<u>1,419,554</u>	<u>1,447,368</u>	<u>1,483,988</u>
		<u>18,776,765</u>	<u>17,867,605</u>	<u>19,638,211</u>	<u>19,363,275</u>
CURRENT ASSETS					
Inventories	17	10,604,966	9,495,844	11,438,186	10,184,155
Trade receivables	18	9,249,818	9,715,583	8,986,112	7,856,651
Other receivables, deposits and prepayments	19	1,010,410	923,154	633,007	3,984,342
Derivative financial instruments	21	157,178	33,918	7,271	6,195
Amounts due from related parties	20a	462,170	267,300	198,915	66,835
Bank deposits	22	–	–	335,169	349,257
Bank balances and cash	22	<u>593,434</u>	<u>2,057,013</u>	<u>3,141,621</u>	<u>1,891,566</u>
		<u>22,077,976</u>	<u>22,492,812</u>	<u>24,740,281</u>	<u>24,339,001</u>
CURRENT LIABILITIES					
Trade and other payables	23	5,701,777	4,991,134	5,696,265	3,483,980
Derivative financial instruments	21	50,456	1,444	19,249	333
Amounts due to related parties	20b	23,955	16,502	17,434	16,863
Amounts due to shareholders	20c	3,200,932	2,691,072	3,695,086	–
Obligations under finance leases	24	36,662	24,853	17,989	15,864
Bank and other borrowings	25	3,035,158	1,627,753	494,135	2,485,973
Income tax payable		<u>574,536</u>	<u>1,076,460</u>	<u>845,629</u>	<u>1,048,428</u>
		<u>12,623,476</u>	<u>10,429,218</u>	<u>10,785,787</u>	<u>7,051,441</u>
NET CURRENT ASSETS		<u>9,454,500</u>	<u>12,063,594</u>	<u>13,954,494</u>	<u>17,287,560</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		28,231,265	29,931,199	33,592,705	36,650,835

		As at 31 December			As at 30 June
		2015	2016	2017	2018
NOTES		S\$	S\$	S\$	S\$
NON-CURRENT LIABILITIES					
Obligations under finance leases	24	53,355	33,570	14,868	5,987
Bank and other borrowings	25	2,603,815	2,054,190	1,063,405	991,181
Deferred tax liabilities	26	996,988	843,551	892,605	961,524
		<u>3,654,158</u>	<u>2,931,311</u>	<u>1,970,878</u>	<u>1,958,692</u>
NET ASSETS		<u>24,577,107</u>	<u>26,999,888</u>	<u>31,621,827</u>	<u>34,692,143</u>
CAPITAL AND RESERVES					
Share capital	27	300,000	300,000	300,000	300,000
Reserves		<u>24,277,107</u>	<u>26,699,888</u>	<u>31,321,827</u>	<u>34,392,143</u>
TOTAL EQUITY		<u>24,577,107</u>	<u>26,999,888</u>	<u>31,621,827</u>	<u>34,692,143</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at
		<u>30 June 2018</u>
	<i>NOTES</i>	<i>S\$</i>
CURRENT ASSET		
Deferred issue costs	19	<u>472,951</u>
CURRENT LIABILITIES		
Amount due to TSS	28	999,586
Accrued for listing expenses	23	<u>967,437</u>
		<u>1,967,023</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(1,494,072)</u></u>
CAPITAL AND RESERVES		
Share capital	27	—*
Accumulated loss	27	<u>(1,494,072)</u>
TOTAL EQUITY		<u><u>(1,494,072)</u></u>

* The balance is less than S\$1.

COMBINED STATEMENTS OF CHANGE IN EQUITY

	Share capital	Revaluation reserve	Other reserve	Translation reserve	Accumulated profits	Total
	S\$	S\$	S\$ (Note)	S\$	S\$	S\$
At 1 January 2015	300,000	10,037,656	–	(514,555)	13,978,588	23,801,689
Profit for the year	–	–	–	–	3,268,386	3,268,386
Other comprehensive expense for the year	–	181,763	–	(1,047,326)	–	(865,563)
Profit and total comprehensive (expense) income for the year	–	181,763	–	(1,047,326)	3,268,386	2,402,823
Dividend declared (Note 13)	–	–	–	–	(1,627,405)	(1,627,405)
At 31 December 2015	300,000	10,219,419	–	(1,561,881)	15,619,569	24,577,107
Profit for the year	–	–	–	–	5,711,397	5,711,397
Other comprehensive expense for the year	–	(427,800)	–	(181,486)	–	(609,286)
Profit and total comprehensive (expense) income for the year	–	(427,800)	–	(181,486)	5,711,397	5,102,111
Transfer of revaluation reserve on disposal of property	–	(262,406)	–	–	262,406	–
Dividend declared (Note 13)	–	–	–	–	(2,679,330)	(2,679,330)
At 31 December 2016	300,000	9,529,213	–	(1,743,367)	18,914,042	26,999,888
Profit for the year	–	–	–	–	5,973,920	5,973,920
Other comprehensive income for the year	–	1,691,573	–	185,465	–	1,877,038
Profit and total comprehensive income for the year	–	1,691,573	–	185,465	5,973,920	7,850,958
Dividend declared (Note 13)	–	–	–	–	(3,229,019)	(3,229,019)
At 31 December 2017	300,000	11,220,786	–	(1,557,902)	21,658,943	31,621,827
Profit for the period	–	–	–	–	3,012,750	3,012,750
Other comprehensive income for the period	–	152,521	–	237,045	–	389,566
Profit and total comprehensive income for the period	–	152,521	–	237,045	3,012,750	3,402,316
Arising from Group Reorganisation	–	–	(332,000)	–	–	(332,000)
At 30 June 2018	300,000	11,373,307	(332,000)	(1,320,857)	24,671,693	34,692,143
At 1 January 2017	300,000	9,529,213	–	(1,743,367)	18,914,042	26,999,888
Profit for the period (Unaudited)	–	–	–	–	4,244,665	4,244,665
Other comprehensive income for the period (Unaudited)	–	96,826	–	34,475	–	131,301
Profit and total comprehensive income for the period (Unaudited)	–	96,826	–	34,475	4,244,665	4,375,966
At 30 June 2017 (Unaudited)	300,000	9,626,039	–	(1,708,892)	23,158,707	31,375,854

Note: Other reserve represents the combined effect upon completion of share transfer of TZF* and TSM* to TSS by two individual shareholders of TZF and TSM in April 2018 as part of Group Reorganisation* (details of which are set out in Note 2).

* As defined in Note 2.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015 S\$	2016 S\$	2017 S\$	2017 S\$ (unaudited)	2018 S\$
OPERATING ACTIVITIES					
Profit before taxation	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
Adjustments for:					
Net unrealised foreign exchange (gain) loss	(471,353)	(233,901)	387,281	(462,848)	691,041
Depreciation of property, plant and equipment	1,426,468	1,479,499	1,574,410	725,610	826,089
Financial costs	257,910	220,302	127,060	71,248	36,821
Interest income	(9,964)	–	(19,850)	(5,702)	(8,301)
Loss (gain) on disposal of property, plant and equipment	25,361	125,223	(4,784)	–	2,711
Fair value gain on an investment property	(153,559)	–	–	–	–
Fair value (gain) loss on derivative instruments	(333,567)	87,537	113,801	71,888	30,375
Operating cash flow before movement in working capital	4,818,960	8,492,533	9,380,369	5,616,371	5,587,513
(Increase) decrease in inventories	(4,123,197)	1,244,700	(2,123,987)	872,022	1,028,428
(Increase) decrease in trade receivables	(1,382,669)	(415,841)	684,765	1,818,409	1,055,341
Decrease (increase) in other receivables, deposits and prepayments	188,248	86,849	289,258	111,713	(2,880,728)
Decrease (increase) in amounts due from related parties	1,245,995	289,216	(22,382)	44,369	127,025
Settlement of derivatives financial instrument	274,022	(13,289)	(69,349)	35,341	(48,215)
Increase (decrease) in trade and other payables	2,340,929	(685,172)	671,900	(2,286,922)	(2,906,053)
Increase (decrease) in amounts due to related parties	23,955	(6,761)	596	(7,905)	(1,012)
Cash generated from operations	3,386,243	8,992,235	8,811,170	6,203,398	1,962,299
Income taxes paid, net of refunds	(798,248)	(717,805)	(1,493,334)	(579,151)	(742,005)
Net cash from operating activities	2,587,995	8,274,430	7,317,836	5,624,247	1,220,294
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1,647,533)	(1,499,824)	(1,448,217)	(511,213)	(107,388)
Additions to investment property	(945,185)	(225,467)	–	–	–
Interest received	9,964	–	19,850	5,702	8,301
Proceeds from disposal of property, plant and equipment	7,189	447,638	24,980	5,132	843
Advances to related parties	(4,450)	(87,109)	–	–	–
Repayment of advances to related parties	–	4,450	87,109	87,109	–
Net cash used in investing activities	(2,580,015)	(1,360,312)	(1,316,278)	(413,270)	(98,244)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
FINANCING ACTIVITIES					
Repayment of bank and other borrowings	(2,383,851)	(1,785,723)	(2,257,798)	(1,462,646)	(228,250)
Interest paid	(257,910)	(220,302)	(127,060)	(71,248)	(36,821)
Repayment to shareholders	(1,752,605)	(3,886,919)	(2,229,019)	(2,000,000)	(4,705,407)
Repayment of obligations under financial leases	(46,995)	(71,594)	(25,566)	(16,554)	(11,006)
Proceeds from bank and other borrowings	1,224,094	371,125	–	–	1,609,274
Issue cost paid	–	–	–	–	(231,092)
Consideration paid to shareholders of subsidiaries as part of Group Reorganisation	–	–	–	–	(332,000)
Advances from shareholders	<u>1,046,518</u>	<u>701,223</u>	<u>–</u>	<u>–</u>	<u>1,008,600</u>
Net cash used in financing activities	<u>(2,170,749)</u>	<u>(4,892,190)</u>	<u>(4,639,443)</u>	<u>(3,550,448)</u>	<u>(2,926,702)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,162,769)	2,021,928	1,362,115	1,660,529	(1,804,652)
Effect of foreign exchange rate changes	18,820	(15,917)	(75,733)	4,817	30,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>2,194,951</u>	<u>51,002</u>	<u>2,057,013</u>	<u>2,057,013</u>	<u>3,343,395</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by					
– Bank deposits	–	–	335,169	649,007	349,257
– Bank balances and cash	593,434	2,057,013	3,141,621	3,073,352	1,891,566
– Bank overdrafts	<u>(542,432)</u>	<u>–</u>	<u>(133,395)</u>	<u>–</u>	<u>(671,985)</u>
	<u>51,002</u>	<u>2,057,013</u>	<u>3,343,395</u>	<u>3,722,359</u>	<u>1,568,838</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. General**

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on 19 April 2018. Its registered office and principal place of business are located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 255 Pandan Loop, Singapore 128433, respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the production, packaging and retailing of food products. Its parent and ultimate holding company is SWL Limited ("SWL"), a company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling shareholders are Mr. Lim Fung Yee ("Mr. Winston Lim"), Mr. Lim Fung Chor ("Mr. Lawrence Lim"), Ms. Lim Seow Yen ("Ms. Sandy Lim"), Mdm. Han Yew Lang ("Mdm. Han"), Mr. Loo Soon Hock James ("Mr. James Loo") and Ms. Ong Liow Wah ("Ms. Jillian Ong"), all of them are family members (collectively known as the "Controlling Shareholders").

The functional currency of the Company is S\$, which is also the presentation currency of the Historical Financial Information.

2. Basis of Preparation and Presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

Prior to the group reorganisation scheme to rationale the structure of the Group in preparing for the listing of the Company's shares on the Main Board of the Stock Exchange ("Group Reorganisation"), Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. ("TSM") and Treatz Foods Sdn. Bhd. ("TZF") were held directly by TSS, Mr. Winston Lim and Mr. Lawrence Lim of 64.4%, 17.8% and 17.8%, respectively whereas TSS was beneficially and collectively owned by the Controlling Shareholders before the transfer and issuance of shares of TSS pursuant to the steps 2 to 3 below. In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the following reorganisation steps ("Group Reorganisation"):

- (1) The Company was incorporated in the Caymans Islands as an exempted company with limited liability on 19 April 2018, with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at the time of its incorporation, one share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at par to SWL on the same date. On 19 April 2018, 99 additional shares were allotted and issued to SWL, all credited as fully paid.

- (2) On 23 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all their shares in TZF to TSS for a cash consideration equivalent to their respective original capital contribution in TZF. Upon completion of the share transfer, TZF became direct wholly-owned subsidiary of TSS. On 24 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all their shares in TSM to TSS for a cash consideration equivalent to their respective original capital contribution in TSM. Upon completion of the share transfer, TSM became direct wholly-owned subsidiary of TSS.
- (3) TSH was incorporated in the BVI with limited liability on 3 May 2018, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 10 May 2018, one share in TSH was allotted and issued to the Company, credited as fully paid. Upon completion of the share subscription, TSH is directly wholly-owned by the Company. TSH is principally engaged in investment holding.
- (4) On 18 December 2018, each of Mr. Winston Lim, Mr. Lawrence Lim, Ms. Sandy Lim, Mdm. Han, Mr. James Loo and Ms. Jillian Ong transfer all his/her shares in TSS to TSH respectively, which were settled by the Company allotting and issuing 220 new shares, 220 new shares, 220 new shares, 220 new shares, 10 new shares and 10 new shares, all credited as fully paid, to SWL at the directions of Mr. Winston Lim, Mr. Lawrence Lim, Ms. Sandy Lim, Mdm. Han, Mr. James Loo and Ms. Jillian Ong, respectively. Upon completion of the share transfer, TSS will become an indirect wholly-owned subsidiary of the Company.

Upon completion of the above steps, TSH became a direct wholly-owned subsidiary of the Company and TSS, TSM and TZF became indirect wholly-owned subsidiaries of the Company. Pursuant to the Group Reorganisation detailed above, TSS and its subsidiaries were controlled by the Controlling Shareholders throughout the Track Record Period. As part of the Group Reorganisation, TSH and the Company, were incorporated and interspersed between TSS and the Controlling Shareholders. Since then, the Company has become the holding company of the companies now comprising the Group on 18 December 2018. The Company, TSH, TSS, TSM and TZF resulting from the Group Reorganisation has always been under the common control of the Controlling Shareholders during the Track Record Period and before and after the Group Reorganisation. Therefore, it is regarded as a continuing entity and the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2018 have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period taking into account the respective dates of incorporation. The combined statements of financial position of the Group as at 31 December 2015, 2016, 2017 and 30 June 2018 are prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure had been in existence at those dates, taking into account the respective dates of incorporation.

No audited statutory financial statements of the Company have been prepared since its incorporation as it was incorporated in jurisdiction where there is no statutory audit requirements.

3. Adoption of New and Amendments to IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 January 2018 throughout the Track Record Period, including IFRS 15 Revenue from Contracts with Customers, except that the Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* during the three years ended 31 December 2017. The application of IFRS 9 on 1 January 2018 has no impact on the combined financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date.

At the date of this report, the Group has not applied the following new and amendments to IFRSs or International Accounting Standards ("IAS") and IFRS Interpretations Committee Interpretation ("IFRIC") that have been issued but not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except as described below, the management of the Group considers that the application of all the other new and amendments to IFRSs or IASs and interpretation will have no material impact on the Group's financial position and performance and/or on the disclosures to the Group in foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of S\$1,607,890 as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. However, the directors of the Company do not expect the adoption of IFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the financial performance and the net assets of the Group.

In addition, the Group currently considers refundable rental deposits paid of S\$10,796 and refundable rental deposits received of S\$6,074 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group will elect to apply IFRS 16 retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative. The Group will recognize the right-of-use asset at the date of initial application at an amount equal to the lease liability, which is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

4. Significant Accounting Policies

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, freehold land, buildings and investment property that are measured at fair values or revalued amounts at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers.

A performance obligation represents goods (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised in profit or loss as follows:

Revenue from the sale of goods is recognised at a point in time the control of the goods has transferred, i.e. when the goods have been delivered to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligation under finance lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve".

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund (“CPF”) and Employees Provident Fund (“EPF”), being defined contribution benefits, are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction of any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold building (classified as finance leases) and freehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at revalued amount less subsequent accumulated depreciation and accumulated impairment losses, if any.

Except for the freehold land, depreciation is recognised so as to write off the cost or revaluation of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in “revaluation reserve”, except to the extent that it reserves a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sales or retirement of a revalued asset, the attributable revaluation reserve is transferred to accumulated profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties (including investment property under construction) are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Under IAS 39

Financial assets are classified as loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial assets and is included in the “other (losses) gains” line item. Fair value is determined in the manner described in Note 33.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 7 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Under IFRS 9

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset 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 are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

All recognised financial assets (including trade and other receivables, amounts due from related parties, bank deposit and bank balance and cash) are subsequently measured at amortised costs.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the “other income” line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other (losses) gains” line item.

Impairment of financial assets under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables amounts due from related parties, bank deposits and balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade-related amounts due from related parties and measures the lifetime ECL on a collective basis for portfolios of trade receivables that share similar economic risk characteristics. The ECL on those financial assets are estimated using a provision matrix i.e. analysis of trade-related receivables by aging and apply a probability-weighted estimate of the credit losses within the relevant time band. The probability-weighted estimate of the credit losses is determined based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial 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 (i.e. no default history), 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated 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, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events 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:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;

- c) 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; or
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e. g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Classification of financial liabilities or equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the “other (losses) gains” line item.

Fair value is determined in the manner described in Note 33.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, 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 may 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.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

The carrying amounts of property, plant and equipment are S\$17,550,032, S\$16,448,051, S\$18,190,843 and S\$17,879,287 as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

Revaluation of leasehold/freehold land and buildings and fair value of investment property

The Group's freehold lands and buildings and leasehold building are measured at revaluation value whereas the investment property is measured at fair value. The valuation was determined by the management of the Group by reference to valuation performed by an independent professional valuer. The valuation involves significant unobservable inputs and valuation adjustment. In relying on the valuation report of the independent professional valuer, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the market conditions prevailing at respective valuation dates after taking into consideration the state of the relevant properties. Any changes in the market conditions will affect the fair value of these properties of the Group.

As at 31 December 2015, 2016, 2017 and 30 June 2018, the aggregate carrying amounts of freehold lands and buildings and leasehold building are S\$11,431,571, S\$10,145,814, S\$11,635,528 and S\$11,757,870 respectively, whereas the carrying amounts of investment property is S\$1,226,733, S\$1,419,554, S\$1,447,368 and S\$1,483,988, respectively.

Provision for income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected 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 recognised, such differences will impact financial result, including income tax and deferred tax provisions in the period in which such determination is made.

During the year ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, the Group recognised income tax expenses amounted to S\$809,278, S\$1,102,476, S\$1,228,531, S\$971,510 (unaudited) and S\$996,027, respectively. The carrying amounts of income tax payable are S\$574,536, S\$1,076,460, S\$845,629 and S\$1,048,428, respectively and deferred tax liabilities are S\$996,988, S\$843,551, S\$892,605 and S\$961,524, respectively, as at 31 December 2015, 2016, 2017 and 30 June 2018.

6. Revenue and Segment Information

Revenue represents the fair value of amounts received and receivable from the sales of food products, which can largely be grouped under nuts and chips, also represents the revenue from contracts with customers.

Information is reported to the executive directors of TSS, which are also the Chief Operating Decision Maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group’s accounting policies described in Note 4. The CODM reviews revenue by type of product sold, i.e. “Nuts”, “Chips” and “Others” and profit for the respective reporting period as a whole. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, the CODM has identified one operating segment. Only Group-wide disclosures on major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group’s revenue for the Track Record Period is as follows:

	Segment revenue				
	Year ended 31 December			Six months ended	
				30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Revenue from:					
Nuts	37,655,982	44,531,504	43,158,435	20,426,019	22,477,969
Chips	10,114,144	10,217,144	10,223,122	5,371,936	5,713,391
Others*	2,534,804	2,578,332	2,130,389	1,273,126	1,496,081
	<u>50,304,930</u>	<u>57,326,980</u>	<u>55,511,946</u>	<u>27,071,081</u>	<u>29,687,441</u>

* Others mainly include items such as disposable towels which are normally sell together with the nuts and chips products to food and beverages companies.

The Group derives its revenue from sales of Nuts, Chips and Others at a point in time. During the Track Record Period, all the contracts for sales of goods to external customers are short-term, and the contract prices are agreed based on factors such as volume per unit price.

All performance obligations for sales of goods are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Customer I	<u>14,083,264</u>	<u>15,022,425</u>	<u>15,002,622</u>	<u>7,557,511</u>	<u>8,212,052</u>

Geographical information

The Group principally operates in Singapore and Malaysia, which are the place of domicile of respective group entities. Revenue from external customer is based on the geographical location of the end customers. The Group's non-current assets are located in Singapore and Malaysia.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Revenue by geographical location of the end customers:					
Singapore	30,909,557	33,512,712	32,853,619	16,821,781	18,403,193
Malaysia	11,148,971	11,861,251	13,126,229	5,713,752	6,416,596
People Republic of China (including Hong Kong)	4,502,463	5,369,186	4,559,952	2,030,047	1,891,273
Others	<u>3,743,939</u>	<u>6,583,831</u>	<u>4,972,146</u>	<u>2,505,501</u>	<u>2,976,379</u>
	<u>50,304,930</u>	<u>57,326,980</u>	<u>55,511,946</u>	<u>27,071,081</u>	<u>29,687,441</u>

	As at 31 December			As at 30 June	
	2015	2016	2017	2018	
	S\$	S\$	S\$	S\$	
Non-current assets					
Singapore	7,063,898	7,080,653	8,253,585	8,085,175	
Malaysia	<u>11,712,867</u>	<u>10,786,952</u>	<u>11,384,626</u>	<u>11,278,100</u>	
	<u>18,776,765</u>	<u>17,867,605</u>	<u>19,638,211</u>	<u>19,363,275</u>	

7. Other Income

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Government grants (Note)	211,455	162,111	62,180	50,626	31,556
Interest income	9,964	–	19,850	5,702	8,301
Rental income	2,000	63,590	51,181	16,356	38,969
Others	60,347	93,295	29,666	2,531	398
	<u>283,766</u>	<u>318,996</u>	<u>162,877</u>	<u>75,215</u>	<u>79,224</u>

Note: The government grants received mainly comprise of the Wage Credit Scheme (“WCS”), the Special Employment Credit (“SEC”), and the Capability Development Grant (“CDG”), all of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

During the three years ended 31 December 2015, 2016, 2017 and the six months period ended 30 June 2017 and 2018, grants of S\$73,762, S\$97,310, S\$25,530, S\$25,530 (unaudited) and S\$20,013 respectively were received under the WCS. Under the WCS, the government provides assistance to Singapore-registered businesses by way of co-funding 40% of wage increase from 2014-2015 and 20% of wage increase from 2016-2017 given to Singapore Citizen employees earning a gross monthly wage of S\$4,000 and below during the calendar year of 2014 to 2015, 2016 and 2017 respectively. In addition, for wage increases given in 2015 which are sustained in 2016 and 2017 by the same employer, employers will continue to receive co-funding at 20% in 2016 and 2017. No further government assistance was granted to the Group under the WCS in 2018 and the amounts received during the six months ended 30 June 2018 were related to co-funding granted in 2017.

During the three years ended 31 December 2015, 2016, 2017 and the six months period ended 30 June 2017 and 2018, the Group received grants of S\$27,023, S\$45,301, S\$36,650, S\$25,096 (unaudited) and S\$11,543 respectively under the SEC. Under this scheme, the government aims to encourage and facilitate Singapore-registered business to hire Singaporean workers aged over 50 years old and persons with disabilities.

During the three years ended 31 December 2015, 2016, 2017 and the six months period ended 30 June 2017 and 2018, the Group received grants of S\$110,670, S\$19,500, nil, nil (unaudited), and nil respectively under CDG. Under the scheme, the government provides grant to support qualifying cost for development projects undertaken by the Group.

8. Other (Losses) Gains

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Exchange (loss) gain, net	(609,097)	129,831	299,544	26,822	222,489
(Loss) gain on disposal of property, plant and equipment	(25,361)	(125,223)	4,784	–	(2,711)
Fair value gain (loss) on derivative instruments	333,567	(87,537)	(113,801)	(71,888)	(30,375)
Fair value gain on an investment property	153,599	–	–	–	–
	<u>(147,292)</u>	<u>(82,929)</u>	<u>190,527</u>	<u>(45,066)</u>	<u>189,403</u>

9. Finance Costs

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
Interest on:					
Bank overdrafts and borrowings	250,307	192,508	123,888	70,857	35,937
Obligations under finance leases	7,603	5,590	3,172	391	884
Loan from a shareholder	–	22,204	–	–	–
	<u>257,910</u>	<u>220,302</u>	<u>127,060</u>	<u>71,248</u>	<u>36,821</u>

10. Profit Before Taxation

Profit before taxation has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
Auditor's remuneration*	–	–	–	–	–
Depreciation of property, plant and equipment					
– Recognised as cost of sales	1,185,458	1,223,009	1,295,230	592,872	690,940
– Recognised as administrative expenses	241,010	256,490	279,180	132,738	135,149
	<u>1,426,468</u>	<u>1,479,499</u>	<u>1,574,410</u>	<u>725,610</u>	<u>826,089</u>
Directors' and chief executive's remuneration (<i>Note 12</i>)	1,027,156	1,261,643	1,346,798	502,267	609,643
Other staff costs					
– Salaries and other benefits	4,422,163	4,733,070	4,761,972	1,548,099	1,735,060
– Contributions to CPF and EPF	390,439	414,202	440,993	121,824	129,892
	<u>5,839,758</u>	<u>6,408,915</u>	<u>6,549,763</u>	<u>2,172,190</u>	<u>2,474,595</u>
Cost of materials recognised as cost of sales	<u>33,747,311</u>	<u>37,298,113</u>	<u>35,826,406</u>	<u>16,323,594</u>	<u>18,102,803</u>
Gross rental income from investment property	–	–	43,455	8,659	36,431
Less: direct operating expenses incurred for investment property that generated rental income	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>43,455</u>	<u>8,659</u>	<u>36,431</u>

* No auditor remunerations incurred since the appointment of the Company's statutory auditor was made in 2018.

11. Income Tax Expense

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Tax expense comprises:					
Current income tax					
– Current year/period	718,286	1,226,209	1,196,024	952,333	955,889
– Under provision in prior years/period	56,064	16,302	5,876	5,854	–
	774,350	1,242,511	1,201,900	958,187	955,889
Deferred tax expense (<i>Note 26</i>)					
– Current year/period	40,991	(126,266)	28,056	14,033	40,877
– Effect of revaluations of assets for taxation purposes	(6,063)	(13,769)	(1,425)	(710)	(739)
	34,928	(140,035)	26,631	13,323	40,138
	809,278	1,102,476	1,228,531	971,510	996,027

Singapore Corporate Income Tax (“CIT”) is calculated at 17% of the estimated assessable profit and the subsidiaries in Singapore further eligible for CIT rebate of 50% of the tax payable, capped at S\$20,000 and S\$25,000 for the Year of Assessment (“YoA”) 2016 and 2017 respectively, and 40%, capped at S\$15,000 for Year of Assessment 2018, and 20% capped at S\$10,000 for Year of assessment 2019, determined based on financial year end date of the group companies.

In Malaysia, the standard corporate tax rate is 25% for the year ended 31 December 2015 and 24% for the two years ended 31 December 2016 and 2017 which is applicable to companies incorporated in Malaysia with a paid-up capital of more than RM2,500,000. For companies resident in Malaysia with paid up capital of RM2,500,000 or less as at the beginning of the basis period of a YoA whereby such company does not control or is not controlled directly or indirectly by another company which has a paid up capital of more than RM2,500,000, the corporate tax rate on the first RM500,000 is 20% and 19%, with the balance being taxed at the rate of 25% and 24% for YoA 2015 and 2016 respectively. For YoA 2017 and YoA 2018, Malaysian subsidiaries are eligible for a reduction of between 1% and 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the company’s chargeable income from a business, compared to the immediately preceding YoA. The reduction in the tax rate will apply to the portion of chargeable income representing the increase.

The taxation for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
Profit before taxation	4,077,664	6,813,873	7,202,451	5,216,175	4,008,777
CIT at 17%	693,203	1,158,358	1,224,417	886,750	681,492
Effect of different tax rate of group entities operating in different jurisdiction	118,124	169,599	129,816	166,332	176,970
Tax effect of expenses not deductible for tax purpose	73,708	268,428	213,565	156,820	265,895
Tax effect of income not taxable for tax purpose	(120,750)	(139,898)	(15,672)	(39,885)	–
Tax effect of tax allowance (Note i)	–	(146,511)	–	–	–
Tax effect of tax exemption under CIT (Note ii)	(63,836)	(67,733)	(57,019)	(56,960)	(52,791)
Effect of tax concessions	(28,422)	(231,366)	(284,782)	(142,391)	(74,042)
Underprovision in prior years/period	56,064	16,302	5,876	5,854	–
Others	81,187	75,297	12,330	(5,010)	(1,497)
	<u>809,278</u>	<u>1,102,476</u>	<u>1,228,531</u>	<u>971,510</u>	<u>996,027</u>

Notes:

- i. The subsidiaries incorporated in Singapore are entitled to additional 300% tax deductions/allowances for qualified expenditures and operating expenses under the productivity innovation credit scheme in Singapore for the YoA of 2016.
- ii. TSS can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income in Singapore.

12. Directors' and Chief Executive's Emoluments and Employees' Remuneration***Directors' and chief executive's emoluments***

Mr. Lawrence Lim, Mr. Winston Lim and Ms. Sandy Lim were appointed as directors of the Company on 19 April 2018 and they are redesignated as executive directors on 5 July 2018 whilst Mr. Lim Seng Chye was appointed on 5 July 2018.

The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities now comprising the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Year ended 31 December 2015

	<u>Fees</u>	<u>Discretionary bonus</u>	<u>Salaries and allowances</u>	<u>Contributions to CPF</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive Directors					
Mr. Lawrence Lim	–	70,000	268,077	22,013	360,090
Mr. Winston Lim	–	70,000	226,077	10,200	306,277
Ms. Sandy Lim	–	70,000	226,077	10,200	306,277
Mr. Lim Seng Chye	2,825	9,000	34,762	7,925	54,512
	<u>2,825</u>	<u>219,000</u>	<u>754,993</u>	<u>50,338</u>	<u>1,027,156</u>

Year ended 31 December 2016

	<u>Fees</u>	<u>Discretionary bonus</u>	<u>Salaries and allowances</u>	<u>Contributions to CPF</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive Directors					
Mr. Lawrence Lim	–	91,178	316,779	29,620	437,577
Mr. Winston Lim	–	91,178	269,747	13,260	374,185
Ms. Sandy Lim	–	91,178	267,146	13,260	371,584
Mr. Lim Seng Chye	7,307	12,000	47,612	11,378	78,297
	<u>7,307</u>	<u>285,534</u>	<u>901,284</u>	<u>67,518</u>	<u>1,261,643</u>

Year ended 31 December 2017

	<u>Fees</u>	<u>Discretionary bonus</u>	<u>Salaries and allowances</u>	<u>Contributions to CPF</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive Directors					
Mr. Lawrence Lim	–	87,188	350,112	14,465	451,765
Mr. Winston Lim	–	86,260	302,112	13,260	401,632
Ms. Sandy Lim	–	86,261	286,511	10,140	382,912
Mr. Lim Seng Chye	23,490	12,600	59,493	14,906	110,489
	<u>23,490</u>	<u>272,309</u>	<u>998,228</u>	<u>52,771</u>	<u>1,346,798</u>

Six months ended 30 June 2017 (unaudited)

	<u>Fees</u>	<u>Discretionary bonus</u>	<u>Salaries and allowances</u>	<u>Contributions to CPF</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive Directors					
Mr. Lawrence Lim	–	–	163,023	5,881	168,904
Mr. Winston Lim	–	–	139,023	4,680	143,703
Ms. Sandy Lim	–	–	131,223	4,200	135,423
Mr. Lim Seng Chye	16,886	–	29,493	7,858	54,237
	<u>16,886</u>	<u>–</u>	<u>462,762</u>	<u>22,619</u>	<u>502,267</u>

Six months ended 30 June 2018

	<u>Fees</u>	<u>Discretionary bonus</u>	<u>Salaries and allowances</u>	<u>Contributions to CPF</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive Directors					
Mr. Lawrence Lim	–	–	196,818	4,680	201,498
Mr. Winston Lim	–	–	180,818	4,200	185,018
Ms. Sandy Lim	–	–	173,018	3,240	176,258
Mr. Lim Seng Chye	8,744	–	31,000	7,125	46,869
	<u>8,744</u>	<u>–</u>	<u>581,654</u>	<u>19,245</u>	<u>609,643</u>

No chief executive had been appointed during the Track Record Period.

Discretionary bonus was determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance. The emoluments stated above were for their services in connection with their roles as directors of group entities in connection with the management affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during the Track Record Period.

No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

Employees' remuneration

The five highest paid individuals of the Group for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 (unaudited) and 2018 included three, three, three, three (unaudited) and three directors.

Details of the remuneration for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 (unaudited) and 2018 of remaining two, two, two, two (unaudited) and two highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
Salaries and allowances	228,476	271,288	236,589	116,298	126,756
Discretionary bonus	42,955	77,917	79,782	–	–
Contribution to CPF	19,696	28,815	18,349	11,641	10,382
	<u>291,127</u>	<u>378,020</u>	<u>334,720</u>	<u>127,939</u>	<u>137,138</u>

The emoluments of five highest paid individuals (including directors) fall within the following bands:

	Number of employee			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
Nil to HK\$1,000,000	2	1	1	5	2
HK\$1,000,001 to HK\$1,500,000	–	1	1	–	3
HK\$1,500,001 to HK\$2,000,000	2	–	–	–	–
HK\$2,000,001 to HK\$2,500,000	1	3	3	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividend

During the year ended 31 December 2015, TSS and TSM declared dividend amounted to S\$1,627,405 of which S\$127,405 and S\$1,500,000 was settled against the amounts due to shareholders during the year ended 31 December 2015 and in 2016 respectively.

During the year ended 31 December 2016, TSS and TSM declared dividend amounted to S\$2,679,330 of which S\$679,330 and S\$2,000,000 was subsequently settled against the amounts due to shareholders during the year ended 31 December 2016 and in 2017 respectively.

During the year ended 31 December 2017, TSS, TSM and TZF declared dividend amounted to S\$3,229,019 of which S\$229,019 and S\$3,000,000 was subsequently settled against the amounts due to shareholders during the year ended 31 December 2017 and in 2018 respectively.

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

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful having repaid to the purpose of this report.

14. Earnings per share

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Group Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

15. Property, Plant and Equipment

	<u>Leasehold building</u>	<u>Freehold building</u>	<u>Freehold land</u>	<u>Plant and equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<i>COST OR VALUATION</i>							
At 1 January 2015	6,500,000	2,748,422	3,042,627	10,348,888	1,431,914	1,226,041	25,297,892
Additions	–	–	–	1,519,106	93,128	55,299	1,667,533
Disposals	–	–	–	(20,777)	–	(165,062)	(185,839)
Exchange realignment	–	(353,966)	(412,980)	(1,436,489)	(60,592)	(44,944)	(2,308,971)
Revaluation	(200,000)	(71,646)	179,114	–	–	–	(92,532)
At 31 December 2015	6,300,000	2,322,810	2,808,761	10,410,728	1,464,450	1,071,334	24,378,083
Additions	–	–	–	1,133,279	116,479	290,066	1,539,824
Disposals	–	(163,474)	(345,503)	(99,906)	(2,163)	(181,473)	(792,519)
Exchange realignment	–	(27,299)	(50,327)	(201,910)	(10,481)	(4,801)	(294,818)
Revaluation	(800,000)	(67,231)	168,077	–	–	–	(699,154)
At 31 December 2016	5,500,000	2,064,806	2,581,008	11,242,191	1,568,285	1,175,126	24,131,416
Additions	–	–	–	670,720	712,170	65,327	1,448,217
Disposals	–	–	–	(1,770,327)	(98,116)	–	(1,868,443)
Exchange realignment	–	39,047	54,100	173,559	20,143	5,062	291,911
Revaluation	1,300,000	(64,378)	160,945	–	–	–	1,396,567
At 31 December 2017	6,800,000	2,039,475	2,796,053	10,316,143	2,202,482	1,245,515	25,399,668
Additions	–	–	–	100,692	6,696	–	107,388
Disposals	–	–	–	–	(7,346)	–	(7,346)
Exchange realignment	–	51,600	70,742	231,809	24,683	6,664	385,498
At 30 June 2018	6,800,000	2,091,075	2,866,795	10,648,644	2,226,515	1,252,179	25,885,208

	<u>Leasehold building</u>	<u>Freehold building</u>	<u>Freehold land</u>	<u>Plant and equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
<i>ACCUMULATED DEPRECIATION</i>							
At 1 January 2015	–	–	–	5,033,941	845,613	730,851	6,610,405
Charge for the year	219,148	63,626	–	876,726	130,333	136,635	1,426,468
Disposals	–	–	–	(14,543)	–	(138,746)	(153,289)
Exchange realignment	–	(1,905)	–	(705,955)	(36,759)	(30,045)	(774,664)
Revaluation	(219,148)	(61,721)	–	–	–	–	(280,869)
At 31 December 2015	–	–	–	5,190,169	939,187	698,695	6,828,051
Charge for the year	219,816	59,133	–	919,326	137,067	144,157	1,479,499
Disposals	–	(11,051)	–	(87,537)	(2,163)	(118,907)	(219,658)
Exchange realignment	–	9,559	–	(126,399)	(6,499)	(3,731)	(127,070)
Revaluation	(219,816)	(57,641)	–	–	–	–	(277,457)
At 31 December 2016	–	–	–	5,895,559	1,067,592	720,214	7,683,365
Charge for the year	245,864	54,918	–	928,254	189,307	156,067	1,574,410
Disposals	–	–	–	(1,755,262)	(92,985)	–	(1,848,247)
Exchange realignment	–	–	–	89,791	6,121	4,167	100,079
Revaluation	(245,864)	(54,918)	–	–	–	–	(300,782)
At 31 December 2017	–	–	–	5,158,342	1,170,035	880,448	7,208,825
Charge for the period	130,770	28,619	–	489,839	108,012	68,849	826,089
Disposals	–	–	–	–	(3,792)	–	(3,792)
Exchange realignment	–	–	–	120,966	7,811	5,411	134,188
Revaluation	(130,770)	(28,619)	–	–	–	–	(159,389)
At 30 June 2018	–	–	–	5,769,147	1,282,066	954,708	8,005,921
<i>CARRYING VALUES</i>							
At 31 December 2015							
– At cost	–	–	–	5,220,559	525,263	372,639	6,118,461
– At revaluation	6,300,000	2,322,810	2,808,761	–	–	–	11,431,571
	<u>6,300,000</u>	<u>2,322,810</u>	<u>2,808,761</u>	<u>5,220,559</u>	<u>525,263</u>	<u>372,639</u>	<u>17,550,032</u>
At 31 December 2016							
– At cost	–	–	–	5,346,632	500,693	454,912	6,302,237
– At revaluation	5,500,000	2,064,806	2,581,008	–	–	–	10,145,814
	<u>5,500,000</u>	<u>2,064,806</u>	<u>2,581,008</u>	<u>5,346,632</u>	<u>500,693</u>	<u>454,912</u>	<u>16,448,051</u>
At 31 December 2017							
– At cost	–	–	–	5,157,801	1,032,447	365,067	6,555,315
– At revaluation	6,800,000	2,039,475	2,796,053	–	–	–	11,635,528
	<u>6,800,000</u>	<u>2,039,475</u>	<u>2,796,053</u>	<u>5,157,801</u>	<u>1,032,447</u>	<u>365,067</u>	<u>18,190,843</u>
At 30 June 2018							
– At cost	–	–	–	4,879,497	944,449	297,471	6,121,417
– At revaluation	6,800,000	2,091,075	2,866,795	–	–	–	11,757,870
	<u>6,800,000</u>	<u>2,091,075</u>	<u>2,866,795</u>	<u>4,879,497</u>	<u>944,449</u>	<u>297,471</u>	<u>17,879,287</u>

The above items of property, plant and equipment (except for the freehold land) are depreciated on a straight-line basis over the following useful lives after taking into account the residual values:

Leasehold building	Over lease term till 2047
Freehold building	50 years
Plant and machinery	10 years
Furniture and fittings	3 to 10 years or over the relevant lease terms, whichever is shorter
Motor vehicles	5 years

During the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, included in the addition of motor vehicles was S\$20,000, S\$40,000, nil and nil respectively that was acquired under hire purchase arrangements. These acquisitions constituted as non-cash transactions during the respective year/period.

The carrying value of motor vehicles that are assets held under finance leases:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Motor vehicles	<u>112,372</u>	<u>146,610</u>	<u>2,246</u>	<u>–</u>

The Group has pledged leasehold building, freehold land and building to secure general banking facilities granted to the Group as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Pledged – carrying values	<u>11,431,571</u>	<u>10,145,814</u>	<u>11,635,528</u>	<u>11,757,870</u>

Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation. The Group engages third party qualified valuers to perform the valuation. Other than one parcel of land and erected building thereon ("Freehold Building C and associated Land"), the Group's land and buildings was valued as at 31 December, 2015, 2016, 2017 and 30 June 2018 by Savills Valuation And Professional Services (S) Pte. Ltd. (the "Valuer"), independent valuers not related to the Group, the address is 30 Cecil Street #20-03 Prudential Tower Singapore 049712. The Valuer is a member of the Singapore Institute of Surveyors. The Freehold Building C and associated Land were valued as at 31 December 2015 based on the sale price, which the sale contract was signed with a third party and the disposal was completed in 2016.

Where the external valuer is engaged, the management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair value of the land and buildings was determined based on either the transaction price and/or the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the land under review. There has been no change to the valuation technique during the Track Record Period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key unobservable inputs used in valuing the land and buildings was the adjusted price per square feet. A slight increase in the adjusted price per square feet used would result in an increase in the fair value of the land, and vice versa.

Details of the Group's freehold and leasehold buildings and freehold land, the information about the fair value hierarchy as at the end of each reporting period are as follows:

	Fair Value hierarchy	Fair value as at 31 December			As at 30 June
		2015	2016	2017	2018
		S\$	S\$	S\$	S\$
Leasehold building in Singapore	Level 3	6,300,000	5,500,000	6,800,000	6,800,000
Freehold land in Malaysia	Level 3	2,808,761	2,581,008	2,796,053	2,866,795
Freehold building in Malaysia	Level 3	2,322,810	2,064,806	2,039,475	2,091,075

	Fair value as at 31 December				Valuation Technique	Significant unobservable input	Sensitivity
	2015	2016	2017	30 June 2018			
	S\$	S\$	S\$	S\$		The key inputs for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018 are:	
Leasehold property: 255 Pandan Loop, Singapore	6,300,000	5,500,000	6,800,000	6,800,000	Market comparison approach	Market price of 2015:S\$251.79; 2016: S\$219.82; 2017: S\$281.65; 2018: S\$281.65 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold building A: No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	1,381,577	1,322,767	1,315,789	1,349,080	Market comparison approach	Market price of 2015:S\$25.26; 2016: S\$24.18; 2017: S\$24.05; 2018: S\$24.66 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold building B No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	789,472	742,039	723,686	741,995	Market comparison approach	Market price of 2015:S\$31.33; 2016: S\$29.45; 2017: S\$28.72; 2018: S\$29.45 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold building C No.17, Jalan Maju 1, Taman Perin.Cemerlang 81800,Ulu Tiram, Malaysia	151,761	–	–	–	Transaction price	Market price of 2015:S\$16.86; 2016: S\$N/A; 2017: S\$N/A; 2018: S\$N/A per square feet	N/A
Freehold land A No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	1,447,367	1,516,342	1,644,737	1,686,350	Market comparison approach	Market price of 2015:S\$22.91; 2016: S\$24.01; 2017: S\$26.04; 2018: S\$26.70 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold land B No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	1,019,734	1,064,666	1,151,316	1,180,445	Market comparison approach	Market price of 2015:S\$23.39; 2016: S\$24.42; 2017: S\$26.41; 2018: S\$27.08 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold land C No.17, Jalan Maju 1, Taman Perin.Cemerlang 81800,Ulu Tiram, Malaysia	341,660	–	–	–	Transaction price	Market price of 2015:S\$37.97; 2016: S\$N/A; 2017: S\$N/A; 2018: S\$N/A per square feet	N/A
	<u>11,431,571</u>	<u>10,145,814</u>	<u>11,635,528</u>	<u>11,757,870</u>			

Any significant isolated changes to the inputs would result in a significant change in fair value measurement.

The properties' fair value hierarchy is based on Level 3, and there were no transfers between the fair value hierarchy levels during the Track Record Period.

Had the properties been carried under the cost model, the carrying amounts of the properties would have been the following:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
<i>Under cost model:</i>				
Freehold land	1,229,178	1,033,490	1,053,740	1,080,401
Freehold building	1,128,074	1,003,586	996,791	1,008,446
Leasehold building	483,333	466,666	449,999	441,666
	<u>2,840,585</u>	<u>2,503,742</u>	<u>2,500,530</u>	<u>2,530,513</u>

16. Investment Property

	Property under construction	Completed property	Total
	S\$	S\$	S\$
<i>FAIR VALUE</i>			
At 1 January 2015	250,567	–	250,567
Additions	945,185	–	945,185
Unrealized gain from fair value adjustments included in profit and loss	153,599	–	153,599
Exchange realignment	<u>(122,618)</u>	<u>–</u>	<u>(122,618)</u>
At 31 December 2015	<u>1,226,733</u>	<u>–</u>	<u>1,226,733</u>
Additions	225,467	–	225,467
Property reclassified upon completion	(1,452,200)	1,452,200	–
Exchange realignment	<u>–</u>	<u>(32,646)</u>	<u>(32,646)</u>
At 31 December 2016	<u>–</u>	<u>1,419,554</u>	<u>1,419,554</u>

	Property under construction	Completed property	Total
	S\$	S\$	S\$
Exchange realignment	–	27,814	27,814
At 31 December 2017	–	1,447,368	1,447,368
Exchange realignment	–	36,620	36,620
At 30 June 2018	–	1,483,988	1,483,988

Details of the group's investment property and information about the fair value hierarchy, at Level 3, as at 31 December 2015, 2016, 2017 and 30 June 2018 as follows:

	Fair value as at 31 December			Fair value as at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Investment property				
– No.6 Jalan Maju Cemerlang 3	<u>1,226,733</u>	<u>1,419,554</u>	<u>1,447,368</u>	<u>1,483,988</u>

Investment property was stated at fair value determined by the management using market comparison approach by reference to latest selling price.

In determining the fair value, the valuer was used the market comparable approach which involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.

The fair value measurement is categorised in the Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the year/period.

The key inputs for the year ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018 are market price of RM231.08 (equivalent to S\$64.43), RM231.08 (equivalent to S\$74.55), RM231.08 (equivalent to S\$76.01) and RM231.08 (equivalent to S\$77.94), per square feet after adjusting for age, location, condition and surrounding facility and the change in market price is owing to the exchange realignment. The higher the market price, the higher the fair value.

17. Inventories

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Raw materials	3,773,184	3,829,448	4,807,971	4,040,063
Packaging materials	1,079,201	1,124,907	1,180,716	1,226,867
Work-in-progress	1,206,772	1,331,817	1,888,588	974,380
Finished goods	2,112,164	1,784,983	1,863,754	1,763,131
Goods-in-transit	2,433,645	1,424,689	1,697,157	2,179,714
	<u>10,604,966</u>	<u>9,495,844</u>	<u>11,438,186</u>	<u>10,184,155</u>

18. Trade Receivables

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Trade receivables	<u>9,249,818</u>	<u>9,715,583</u>	<u>8,986,112</u>	<u>7,856,651</u>

The Group grants credit terms to customers typically ranging from 7 to 60 days from the invoice date for trade receivables and certain sales require payment in at cash upon delivery. The following is an aged analysis of trade receivables presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within 30 days	4,932,644	4,983,541	3,873,169	3,215,294
31 days to 60 days	3,173,437	4,231,708	4,356,870	3,705,370
61 days to 90 days	983,975	461,068	663,598	657,507
91 days to 180 days	148,414	36,781	44,455	233,987
181 days to one year	<u>11,348</u>	<u>2,485</u>	<u>48,020</u>	<u>44,493</u>
	<u>9,249,818</u>	<u>9,715,583</u>	<u>8,986,112</u>	<u>7,856,651</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Group's accounts receivables that are past due but not impaired have no history of defaulting on repayment. As at 31 December 2015, 2016, 2017 and 30 June 2018, the Group does not charge interest nor hold any collateral over the balances.

Prior to 1 January 2018, allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts, determined by reference to individual customer's credit quality. In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of each reporting period. In the opinion of the management of the Group, the trade receivables at the end of each reporting period are of good credit quality considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the unsettled balances.

Included in the Group's trade receivables are debtors with aggregate carrying amounts of S\$4,317,174, S\$4,732,042 and S\$5,112,943 which are past due at 31 December 2015, 2016 and 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customers.

Aging of trade receivables which are past due but not impaired based on invoice date at each reporting date:

	As at 31 December		
	2015	2016	2017
	S\$	S\$	S\$
Within 60 days	3,173,437	4,231,708	4,356,870
61 days to 90 days	983,975	461,068	663,598
91 days to 180 days	148,414	36,781	44,455
181 days to 1 year	11,348	2,485	48,020
	<u>4,317,174</u>	<u>4,732,042</u>	<u>5,112,943</u>

Starting from 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by IFRS 9. The impairment methodology is set out in Note 4.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the expected credit loss allowance is immaterial.

19. Other Receivables, Deposits and Prepayments**The Group**

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Advances to supplier	234,345	421,446	251,028	2,750,857
Goods & Services tax ("GST") receivables	542,111	125,167	89,872	157,781
Deposits	170,278	291,395	115,473	221,925
Prepayments	45,192	60,916	104,708	116,542
Deferred issue costs	–	–	–	472,951
Income tax recoverables	–	–	59,985	–
Others	18,484	24,230	11,941	264,286
	<u>1,010,410</u>	<u>923,154</u>	<u>633,007</u>	<u>3,984,342</u>

The Company

	As at 30 June 2018
	S\$
Deferred issue costs	<u>472,951</u>

20. Amounts Due from (to) Related Parties/Shareholders**a. Amounts due from related parties**

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Analysed as:				
Current				
Trade related				
– Tai Sun (Lim Kee) Paper Products Pte. Ltd* (Note i)	457,720	180,191	198,915	66,835
Non-trade related				
– Tai Sun Lim Kee Trading Sdn. Bhd.* (Note ii)	4,450	87,109	–	–
	<u>462,170</u>	<u>267,300</u>	<u>198,915</u>	<u>66,835</u>

* A company controlled by Mr. Winston Lim and Mr. Lawrence Lim.

Notes:

- (i) The Group granted a credit period for sale of goods of 30 days from the invoice date. The following is an aged analysis of trade related amounts due from the related parties presented based on the invoice date, also approximates revenue recognition date, at the end of each reporting period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within 30 days	5,091	62,678	26,756	253
31 days to 60 days	34,195	34,431	76,483	–
61 days to 90 days	–	24,965	70,222	–
91 days to 180 days	–	58,117	25,454	–
181 days to one year	418,434	–	–	66,582
	<u>457,720</u>	<u>180,191</u>	<u>198,915</u>	<u>66,835</u>

During the Track Record Period, except for the balances within 30 days, the remaining trade balances aged over 31 days are past due but not impaired.

- (ii) The amounts were unsecured, interest-free and were fully settled in 2017. The maximum amounts outstanding during the years ended 31 December 2015, 2016 and 2017 are S\$4,450, S\$87,109 and nil, respectively.

The Group assesses the related party credit quality and defines credit limits by related party. Credit terms granted to related parties are reviewed regularly. The Group's trade related amounts due from related parties are past due but not impaired as there is no history of defaulting on repayments. During the Track Record Period, no allowance for doubtful debts are provided for the past due balances as information indicating that the counterparty is highly likely to repay and the Group is able to closely monitor the repayment.

b. Amounts due to related parties

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Analysed as:				
Trade related				
– Tai Sun (Lim Kee) Paper Pte. Ltd	23,955	–	–	–
– Tai Sun Lim Kee Trading Sdn. Bhd.	–	16,502	17,434	16,863
	<u>23,955</u>	<u>16,502</u>	<u>17,434</u>	<u>16,863</u>

The average credit period for provision of services is 30 days. The aging of trade related amounts due to the related parties presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within 30 days	–	9,662	17,434	16,863
31 days to 90 days	–	6,840	–	–
91 days to 180 days	23,955	–	–	–
	<u>23,955</u>	<u>16,502</u>	<u>17,434</u>	<u>16,863</u>

c. Amounts due to shareholders

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Mr. Winston Lim	693,664	810,580	1,058,686	–
Ms. Sandy Lim	529,566	652,066	897,066	–
Mr. Lawrence Lim	580,202	698,426	944,334	–
Mdm. Han	1,367,500	490,000	735,000	–
Ms. Jillian Ong	15,000	20,000	30,000	–
Mr. James Loo	15,000	20,000	30,000	–
	<u>3,200,932</u>	<u>2,691,072</u>	<u>3,695,086</u>	<u>–</u>

Except for a balance of S\$1,000,000 at 31 December 2015 which carry fixed interest rate of 1.38% per annum, the remaining balances are non-trade in nature, unsecured, non-interest bearing and without a fixed repayment term. At 31 December 2015, 2016, 2017 and 30 June 2018, included in the balances are dividend payables of S\$1,500,000, S\$2,000,000, S\$3,000,000 and nil, respectively.

21. Derivative Financial Instruments

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
<i>Foreign exchange forward and option contracts not designated in hedge accounting relationships carried at fair value</i>				
Current assets	157,178	33,918	7,271	6,195
Current liabilities	<u>(50,456)</u>	<u>(1,444)</u>	<u>(19,249)</u>	<u>(333)</u>

During the Track Record Period, the Group had entered into several foreign currency forward and option contracts with banks and financial institutions to reduce its exposure to currency fluctuation risk of settlement from trade receivables that are denominated in Australian Dollar ("AUD") or US Dollar ("USD"). These derivatives were not accounted for under hedge accounting. The contracts are subject to net settlement at each maturity date and were measured at fair value at the end of the reporting period.

The major terms of these foreign currency forward contracts and option were as follows:

Foreign currency forward contracts

<u>Notional amount</u>	<u>Maturity date</u>	<u>Exchange rate</u>
<i>31 December 2015</i>		
Buy AUD/USD and Sell SGD: Range from AUD233,441 to AUD370,000; Range from USD230,000 to USD300,000	Settlement on specific date in each month from 20 January 2016 to 22 April 2016	S\$0.99/AUD to S\$1.006/AUD; S\$1.405/USD – S\$1.4065/USD
<i>31 December 2016</i>		
Buy AUD/USD and Sell SGD: AUD400,000 and USD200,000	Settlement on 23 February 2017 and 20 January 2017	S\$1.048/AUD and S\$1.418/USD
<i>31 December 2017</i>		
Buy USD and Sell SGD: USD100,000 to USD200,000	Settlement on specific date in each month from 3 January 2018 to 5 February 2018	S\$1.363/USD to S\$1.365/USD
<i>30 June 2018</i>		
Buy AUD and Sell SGD: AUD300,000	Settlement on specific date in each month from 28 February 2019 to 30 April 2019	S\$1/AUD

Foreign currency option contracts

<u>Notional amount</u>	<u>Maturity date</u>	<u>Exchange rate</u>
31 December 2015		
Buy USD and Sell SGD: USD3,900,000	5 January 2016 to 18 November 2016	S\$1.313/USD-S\$1.405/USD
31 December 2016		
Buy USD and Sell SGD: USD400,000	22 February 2017 to 2 August 2017	S\$1.375/USD-S\$1.385/USD
31 December 2017		
Buy AUD/USD and Sell SGD: AUD150,000	29 March 2018	S\$1.038/AUD and
USD1,250,000	10 January 2018 to 18 July 2018	S\$1.346/USD-S\$1.3975/USD
30 June 2018		
Buy USD and Sell SGD: USD150,000 and USD300,000	18 July 2018	S\$1.346/USD

The fair value of derivative financial instruments has been arrived at on the basis of a valuation carried out as at the end of the reporting period by banks and financial institutions.

22. Bank Deposits/bank Balances and Cash

Bank deposits of the Group represent short-term bank deposits with an original maturity of three months or less. The bank deposits and bank balances carry interest at variable market rates as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>30 June</u>
				<u>2018</u>
<i>Range of interest rate per annum:</i>				
– Bank deposits	—*	—*	3.2%	3.3%
– Bank balances	—*	—*	0-1.68%	0-1.68%

* Cash in Singapore bank and Malaysia bank carried nil or negligible interest.

23. Trade and Other Payables

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Trade payables	4,104,048	3,561,995	4,275,812	1,870,595
Trade accruals	1,119,931	808,905	404,632	251,565
Accrued operating expenses	305,613	312,943	587,297	99,736
Accrued issued costs/listing expenses	–	–	–	967,437
Other payables	130,088	267,234	276,413	245,107
Deposits received	500	8,921	11,833	11,833
Advances from customers	41,597	31,136	140,278	37,707
	<u>5,701,777</u>	<u>4,991,134</u>	<u>5,696,265</u>	<u>3,483,980</u>

The credit period on purchases from suppliers is between 7 to 30 days or payable upon delivery.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within 30 days	2,873,635	2,699,807	3,269,535	909,042
31 days to 90 days	1,163,639	838,183	1,004,544	772,613
91 days to 180 days	66,774	24,005	1,733	188,940
	<u>4,104,048</u>	<u>3,561,995</u>	<u>4,275,812</u>	<u>1,870,595</u>

The Company

	As at 30 June 2018
	S\$
Accrued for listing expenses	<u>967,437</u>

24. Obligations under Finance Leases

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
<i>Analysed for reporting purposes as:</i>				
Current liabilities	36,662	24,853	17,989	15,864
Non-current liabilities	53,355	33,570	14,868	5,987
	<u>90,017</u>	<u>58,423</u>	<u>32,857</u>	<u>21,851</u>

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2015	2016	2017	2018	2015	2016	2017	2018
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Amounts payable under finance leases								
– Within one year	41,121	27,620	19,510	16,931	36,662	24,853	17,989	15,864
– In more than one year but not more than two years	13,973	8,945	3,889	2,819	12,758	8,393	3,717	1,497
– In more than two years but not more than five years	41,920	26,835	11,668	8,456	38,275	25,177	11,151	4,490
– Over five years	2,379	–	–	–	2,322	–	–	–
	99,393	63,400	35,067	28,206	90,017	58,423	32,857	21,851
Less: future finance charges	(9,376)	(4,977)	(2,210)	(6,355)	–	–	–	–
Present value of lease obligations	<u>90,017</u>	<u>58,423</u>	<u>32,857</u>	<u>21,851</u>	90,017	58,423	32,857	21,851
Less: Amount due for settlement within one year (shown under current liabilities)					(36,662)	(24,853)	(17,989)	(15,864)
Amount due for settlement after one year					<u>53,355</u>	<u>33,570</u>	<u>14,868</u>	<u>5,987</u>

Interest rates underlying all the obligations under finance leases are fixed at respective contract dates during the Track Record Period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
Interest rate per annum	<u>6.00% – 7.14%</u>	<u>4.95% – 7.02%</u>	<u>4.89% – 7.02%</u>	<u>4.89% – 7.02%</u>

The Group leases motor vehicles under finance leases. The average lease term is 5 years, 4 years, 6 years and 6 years for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018. The Group's obligations under finance leases are unguaranteed and secured by the lessor's charge over the leased assets (Note 15).

25. Bank and Other Borrowings

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
<i>Current liabilities:</i>				
Bank overdrafts	542,432	–	133,395	671,985
Bank borrowings	2,492,726	1,627,753	360,740	1,813,988
	3,035,158	1,627,753	494,135	2,485,973
<i>Non-current liabilities:</i>				
Bank borrowings	2,603,815	2,054,190	1,063,405	991,181
	<u>5,638,973</u>	<u>3,681,943</u>	<u>1,557,540</u>	<u>3,477,154</u>
<i>The carrying amounts of the above borrowings are repayable:</i>				
Within one year	3,035,158	1,627,753	494,135	2,485,973
Within a period of more than one year but not exceeding two years	486,602	335,394	205,578	214,988
Within a period of more than two years but not exceeding five years	1,157,503	540,560	679,653	707,728
Over five years	<u>959,710</u>	<u>1,178,236</u>	<u>178,174</u>	<u>68,465</u>
	5,638,973	3,681,943	1,557,540	3,477,154
Less: Amounts due within one year shown under current liabilities	<u>(3,035,158)</u>	<u>(1,627,753)</u>	<u>(494,135)</u>	<u>(2,485,973)</u>
Amounts shown under non-current liabilities	<u>2,603,815</u>	<u>2,054,190</u>	<u>1,063,405</u>	<u>991,181</u>

All of the Group's bank and other borrowings are secured or guaranteed by:

- (i) First legal mortgage over the Group's leasehold building and freehold land and building; and
- (ii) Joint and several guarantees from the directors and shareholders of the Group in their personal capacities for the three years ended 31 December 2017 and six months ended 30 June 2018. As represented by the directors of the Company, the guarantees will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

The effective interest rates (which are also equal to contracted interest rates) of the Group's borrowings are as follow:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
Effective interest rates (per annum)				
variable-rate bank borrowings	<u>4.50%-6.66%</u>	<u>4.56%-6.78%</u>	<u>4.55%-6.60%</u>	<u>3.4%-5.26%</u>

26. Deferred Tax Liabilities

The following are the deferred tax liabilities recognised and the movements thereon:

	Revaluation of freehold buildings and freehold lands	Accelerated tax depreciation	Total
	S\$	S\$	S\$
As at 1 January 2015	414,682	677,789	1,092,471
Charge to profit or loss for the year (Note 11)	(6,063)	40,991	34,928
Charge to other comprehensive expense for the year	6,574	–	6,574
Exchange realignment	<u>(43,411)</u>	<u>(93,574)</u>	<u>(136,985)</u>
As at 31 December 2015	371,782	625,206	996,988
Credit to profit or loss for the year (Note 11)	(13,769)	(126,266)	(140,035)
Charge to other comprehensive expense for the year	6,102	–	6,102
Exchange realignment	<u>(10,281)</u>	<u>(9,223)</u>	<u>(19,504)</u>
As at 31 December 2016	353,834	489,717	843,551
(Credit)/charge to profit or loss for the year (Note 11)	(1,425)	28,056	26,631
Charge to other comprehensive expense for the year	5,777	–	5,777
Exchange realignment	<u>7,028</u>	<u>9,618</u>	<u>16,646</u>
As at 31 December 2017	365,214	527,391	892,605
(Credit)/charge to profit or loss for the period (Note 11)	(739)	40,877	40,138
Charge to other comprehensive expense for the period	6,868	–	6,868
Exchange realignment	<u>9,239</u>	<u>12,674</u>	<u>21,913</u>
As at 30 June 2018	<u>380,582</u>	<u>580,942</u>	<u>961,524</u>

The deferred tax liabilities resulted from the revaluation of freehold buildings and lands, leasehold building and temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore and Malaysia.

27. Share Capital/Reserves of the Company***Share Capital****The Group*

The issued share capital as at 31 December 2015, 2016 and 2017 represented the share capital of TSS. The share capital of the Group as at 30 June 2018 represented the aggregate amounts of the issued share capital of the Company and TSS.

The Company

The Company was incorporated in the Caymans Islands as an exempted company with limited liability on 19 April 2018, with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at the time of its incorporation, one share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at par to SWL on the same date. On 19 April 2018, 99 additional shares were allotted and issued to SWL, all credited as fully paid.

Reserves of the Company

	Accumulated loss
	<u>S\$</u>
At 19 April 2018 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(1,494,072)</u>
At 30 June 2018	<u><u>(1,494,072)</u></u>

28. Amount due to TSS

The balance is non-trade related, unsecured, non-interest bearing and repayable on demand.

29. Retirement Benefit Plan

As prescribed by the Central Provident Fund Board of Singapore and Employees Provident Fund of Malaysia, the Group's employees employed in Singapore and Malaysia respectively, who are Singapore Citizens or Permanent Residents and Malaysian Citizens or Permanent Residents, are required to join the CPF and EPF scheme respectively. During the Track Record Period, the Group contributes up to 17% and 13% of the eligible employees' salaries to the CPF and EPF scheme, with each employee's qualifying salary capped at S\$6,000 per month and no cap respectively.

The total costs charged to profit or loss, amounting to S\$440,777, S\$481,720, S\$493,764, S\$149,600 (unaudited) and S\$153,561 for the years ended December 31, 2015, 2016, 2017 and the six months ended June 2017 and 2018, represent contributions paid to the retirement benefits scheme by the Group.

Contributions of S\$154,324, S\$181,093, S\$151,080 and S\$60,325 at 31 December 2015, 2016, 2017 and 30 June 2018, were accrued respectively. The amounts were paid subsequent to the end of the respective year/period.

30. Operating Lease Commitments*The Group as lessor*

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Minimum lease payments received under an investment property	<u>–</u>	<u>–</u>	<u>43,455</u>	<u>8,659</u>	<u>36,431</u>

The Group had contracted with a lessee for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within one year	–	–	69,528	60,718
In the second to fifth year inclusive	<u>–</u>	<u>–</u>	<u>23,176</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>92,704</u>	<u>60,718</u>

The operating lease term is negotiated for 2 years at fixed rental.

The Group as lessee

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Minimum lease payments paid under operating lease in respect of staff lodging and warehouses	<u>466,844</u>	<u>631,074</u>	<u>661,097</u>	<u>397,432</u>	<u>380,818</u>

The Group had commitments for future minimum lease payments under non-cancellable operating leases as at the end of each reporting period which fall due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Within one year	236,784	135,859	125,696	120,051
In the second to fifth years inclusive	292,704	316,841	355,869	325,079
Over five years	<u>1,142,527</u>	<u>1,257,038</u>	<u>1,194,186</u>	<u>1,162,760</u>
	<u>1,672,015</u>	<u>1,709,738</u>	<u>1,675,751</u>	<u>1,607,890</u>

For the land rent of the leasehold building, the lease is negotiated on an average of 20 years and leases will expire in year 2047. The current annual rental payable on the lease is subject to a revision every year at the rate based on the market rent to be determined by the lessor. The increase shall not exceed 5.5% of the current rental payable. At the end of the lease period, the terms are also subject to negotiation on renewals.

For the staff lodging and warehouses, the lease is negotiated for 1 to 2 years and payments are fixed over the lease term with no contingent rent provision included in the contracts.

31. Capital Commitment

Capital commitments contracted for as at the end of the Track Record Period but not recognised in the Historical Financial Information are as follows:

	As at 31 December			As at 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Investment property	220,633	–	–	–	–
Plant and equipment	–	74,740	–	–	–
	<u>220,633</u>	<u>74,740</u>	<u>–</u>	<u>–</u>	<u>–</u>

32. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank and other borrowings, amounts due to related parties and shareholders, and obligations under finance leases, as disclosed in Notes 20, 24 and 25, respectively, net of bank deposits, bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes approximate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities.

33. Financial Instruments

*Categories of financial instruments**The Group*

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Financial assets				
– At amortised cost				
Trade receivables	9,249,818	9,715,583	8,986,112	7,856,651
Other receivables*	142,892	272,858	85,329	326,744
Amounts due from related parties	462,170	267,300	198,915	66,835
Bank deposits	–	–	335,169	349,257
Bank balances and cash	593,434	2,057,013	3,141,621	1,891,566
	10,448,314	12,312,754	12,747,146	10,491,053
– FVTPL				
Derivative financial instruments	157,178	33,918	7,271	6,195
	<u>10,605,492</u>	<u>12,346,672</u>	<u>12,754,417</u>	<u>10,497,248</u>
Financial liabilities				
– Amortised cost				
Trade and other payables**	5,660,180	4,959,998	5,555,987	3,446,273
Amounts due to related parties	23,955	16,502	17,434	16,863
Amounts due to shareholders	3,200,932	2,691,072	3,695,086	–
Bank and other borrowings	5,638,973	3,681,943	1,557,540	3,477,154
	14,524,040	11,349,515	10,826,047	6,940,290
– FVTPL				
Derivative financial instruments	50,456	1,444	19,249	333
	14,574,496	11,350,959	10,845,296	6,940,623
Obligations under finance leases	90,017	58,423	32,857	21,851
	<u>14,664,513</u>	<u>11,409,382</u>	<u>10,878,153</u>	<u>6,962,474</u>

* Prepayments, rental deposits, deferred issue costs, advances to suppliers, GST receivables and income tax recoverables are excluded

** Advance from customers are excluded

The Company

	As at
	<u>30 June</u>
	<u>2018</u>
	S\$
Financial liabilities	
– At amortised cost	
Amount due to TSS	999,586
Accrued for listing expenses	<u>967,437</u>
	<u><u>1,967,023</u></u>

Financial risk management objectives

The Group's financial instruments include, trade and other receivables, amounts due from/to related parties/shareholders, derivative financial instruments, bank deposits, bank balances and cash, trade and other payables, bank and other borrowings. The Company's financial instruments include amount due to TSS and accrued for listing expenses. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there may have exposure of the interest rate risk on the variable rate bearing bank deposits, bank balances and bank and other borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. It is the Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

If interest rates had been 50 basis points higher or lower over the bank and other borrowings and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2015, 2016, and 2017, and the six months ended 30 June 2017 and 2018 would decrease/increase by S\$19,756, S\$18,819, S\$10,588, S\$5,979 (unaudited) and S\$4,332, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The directors of the Company considered the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

No sensitivity analysis is presented on the interest rate risk on bank deposits and bank balances as the directors of the Company considered the exposure is minimal during the Track Record Period.

Currency risk

The Group transacts business in various foreign currencies, and has certain monetary assets and liabilities denominated in USD, AUD, Euro ("EURO"), HK Dollar ("HKD"), Japanese Yen ("JPY") and Malaysia Ringgit ("MYR") other than the functional currency of respective group entities, which exposes the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are as below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Monetary assets				
– denominated in USD	1,182,723	1,213,325	1,913,877	1,800,828
– denominated in AUD	43,382	1,876	3,885	1,784,606
– denominated in HKD	–	20,564	12,512	433,606
– denominated in MYR	3,125,047	4,117,504	4,405,802	5,315,178
– denominated in JPY	–	–	–	8,736
– denominated in SGD	6,143,032	7,002,252	6,453,155	4,648,179
	<u>10,494,184</u>	<u>12,355,521</u>	<u>12,789,231</u>	<u>13,991,133</u>
Monetary liabilities				
– denominated in USD	2,555,251	2,650,082	1,458,993	653,372
– denominated in AUD	–	453,748	23,838	–
– denominated in HKD	–	–	–	308,194
– denominated in MYR	4,348,594	3,841,746	3,373,144	2,553,482
– denominated in SGD	7,632,248	4,397,128	5,870,371	2,608,102
– denominated in EUR	77,964	65,234	132,558	–
	<u>14,614,057</u>	<u>11,407,938</u>	<u>10,858,904</u>	<u>6,123,150</u>

The Group comprise of a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Further details on the forward exchange derivative instruments are set out in Note 21.

Sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of respective group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthening by 10% against the functional currency of each Group entity, profit or loss during the Track Record Period will (increase) decrease by:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Profit or loss				
– USD impact	(110,013)	(120,429)	37,729	94,019
– AUD impact	3,477	(37,876)	(1,655)	146,256
– EUR impact	(6,249)	(5,468)	(10,995)	–
– HKD impact	–	1,724	1,038	10,276
– MYR impact	(98,071)	23,114	85,652	226,286
– JPY impact	–	–	–	716
– SGD impact	(119,366)	218,362	48,338	153,006
	<u>(330,222)</u>	<u>79,427</u>	<u>160,107</u>	<u>630,559</u>

A 10% weakening of relevant functional currency against the above currencies would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Other price risk

The Group is exposed to other price risk through its derivative investments in foreign currency forward contracts. The foreign currency forward contracts change with the exchange rate and no sensitivity analysis on such risk has been prepared as the directors of the Company considered the carrying amount of derivative financial instruments are insignificant to the Group.

Credit risk

At the end of each reporting period, 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 the respective recognised financial assets as stated in the combined statements of financial position.

Approximately 58%, 55%, 57% and 55% of total trade receivables outstanding at 31 December 2015, 2016 and 2017 and 30 June 2018 were due from top 5 customers for 31 December 2015, 2016, 2017 and 30 June 2018 which exposed the Group to concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the Singapore and Malaysia, which accounted for 86%, 82%, 82% and 83% of the total trade receivables as at 31 December 2015, 2016, 2017 and 30 June 2018.

Other than concentration of credit risk on bank deposits and balances placed in banks in which the counterparties are financially sound and on trade receivables from top five customers, the Group has no other significant concentration of credit risk on its receivables, with exposure spread over a number of counterparties.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Under IAS 39

In order to minimise the credit risk on other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Group can closely monitor the repayment of the related companies. Other than concentration of credit risk on the amounts due from related parties, the Group has no other significant concentration on recognised financial assets with exposure spread over a number of counterparties.

Under IFRS 9

Starting from 1 January 2018, the Group reassess the lifetime ECL for trade receivables and trade related amounts due from related parties at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

For bank deposits, bank balances and other receivables, the Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under ECL method based on the Group's assessment on the risk of the default of that counterparty. Thus, no loss allowance provision for the amounts as recognised during the six months ended 30 June 2018.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial liabilities

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Total undiscounted cash flow	Carrying amount
	%	S\$	S\$	S\$	S\$	S\$
The Group						
As at 31 December 2015						
Bank and other borrowings	4.50 – 6.66	3,192,398	1,961,557	1,129,442	6,283,397	5,638,973
Obligations under finance leases	6.00 – 7.14	41,121	55,893	2,379	99,393	90,017
Amounts due to related parties	–	23,955	–	–	23,955	23,955
Amounts due to shareholders	Nil/1.38	3,200,932	–	–	3,200,932	3,200,932
Trade and other payables	–	5,660,180	–	–	5,660,180	5,660,180
		<u>12,118,586</u>	<u>2,017,450</u>	<u>1,131,821</u>	<u>15,267,857</u>	<u>14,614,057</u>
	Weighted average interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Total undiscounted cash flow	Carrying amount
	%	S\$	S\$	S\$	S\$	S\$
As at 31 December 2016						
Bank and other borrowings	4.56 – 6.78	1,736,070	1,170,708	1,475,456	4,382,234	3,681,943
Obligations under finance leases	4.95 – 7.02	27,620	35,780	–	63,400	58,423
Amounts due to related parties	–	16,502	–	–	16,502	16,502
Amounts due to shareholders	–	2,691,072	–	–	2,691,072	2,691,072
Trade and other payables	–	4,959,998	–	–	4,959,998	4,959,998
		<u>9,431,262</u>	<u>1,206,488</u>	<u>1,475,456</u>	<u>12,113,206</u>	<u>11,407,938</u>
	Weighted average interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Total undiscounted cash flow	Carrying amount
	%	S\$	S\$	S\$	S\$	S\$
As at 31 December 2017						
Bank and other borrowings	4.55 – 6.60	555,723	1,010,747	184,272	1,750,742	1,557,540
Obligations under finance leases	4.89 – 7.02	19,510	15,557	–	35,067	32,857
Amounts due to related parties	–	17,434	–	–	17,434	17,434
Amounts due to shareholders	–	3,695,086	–	–	3,695,086	3,695,086
Trade and other payables	–	5,555,987	–	–	5,555,987	5,555,987
		<u>9,843,740</u>	<u>1,026,304</u>	<u>184,272</u>	<u>11,054,316</u>	<u>10,858,904</u>

	Weighted average interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Total undiscounted cash flow	Carrying amount
	%	S\$	S\$	S\$	S\$	S\$
As at 30 June 2018						
Bank and other borrowings	3.4% – 5.26%	2,544,093	1,032,250	71,375	3,647,718	3,477,154
Obligations under finance leases	4.89% – 7.02%	16,931	11,275	–	28,206	21,851
Amounts due to related parties	–	16,863	–	–	16,863	16,863
Trade and other payables	–	3,446,273	–	–	3,446,273	3,446,273
		<u>6,024,160</u>	<u>1,043,525</u>	<u>71,375</u>	<u>7,139,060</u>	<u>6,962,141</u>
The Company						
Amount due to TSS	–	995,586	–	–	995,586	995,586
Accrued for listing expenses	–	967,437	–	–	967,437	967,437
		<u>1,967,023</u>	<u>–</u>	<u>–</u>	<u>1,967,023</u>	<u>1,967,023</u>

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Derivative financial liabilities and assets

All derivative financial liabilities and assets of the Group as at 31 December 2015, 2016, 2017 and 30 June 2018 are due within one year.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
<i>Net settled</i>				
Derivative financial assets				
– Foreign exchange currency contract	157,178	33,918	7,271	6,195
Derivative financial liabilities				
– Foreign exchange currency contract	<u>(50,456)</u>	<u>(1,444)</u>	<u>(19,249)</u>	<u>(333)</u>

Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Groups considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of derivative financial instruments are determined (in particular, the valuation technique(s) and inputs used).

Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
31 December			30 June			
2015	2016	2017	2018			
S\$	S\$	S\$	S\$			
Foreign exchange forward currency contracts:						
Assets: Current – 157,178	Assets: Current – 33,918	Assets: Current – 7,271	Assets: Current – 6,195	Level 2	Fair value is based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Liabilities: Current – 50,456	Liabilities: Current – 1,444	Liabilities: Current – 19,249	Liabilities: Current – 333	Level 2		

There were no transfers between levels of the fair value hierarchy during the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018.

34. Related Party Transactions

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in the Historical Financial Information.

Apart elsewhere disclosed in the Historical Financial Information, the Group entered into the following transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
<i>Transactions with related parties</i>					
Sales of goods					
Tai Sun Lim Kee Trading Sdn. Bhd.	385,359	472,546	508,844	134,958	–
Tai Sun (Lim Kee) Paper Products Pte. Ltd.	31,878	–	–	–	–
Mindchamps Preschool Pte. Ltd.	963	1,874	3,628	1,148	2,609
	<u>418,200</u>	<u>474,420</u>	<u>512,472</u>	<u>136,106</u>	<u>2,609</u>
<i>Rental income</i>					
Tai Sun (Lim Kee) Paper Products Pte. Ltd.	2,000	55,522	–	–	–
Tai Sun Lim Kee Trading Sdn. Bhd.	–	8,068	7,725	–	–
	<u>2,000</u>	<u>63,590</u>	<u>7,725</u>	<u>–</u>	<u>–</u>
<i>Payment on behalf by the Group</i>					
Tai Sun Lim Kee Trading Sdn. Bhd.	4,450	–	–	–	–
	<u>4,450</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Purchase of goods by the Group</i>					
Tai Sun (Lim Kee) Paper Products Pte. Ltd.	(23,955)	–	–	–	–
	<u>(23,955)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Rental expenses by the Group</i>					
Tai Sun Lim Kee Trading Sdn. Bhd.	–	–	(125,537)	(96,210)	(101,197)
	<u>–</u>	<u>–</u>	<u>(125,537)</u>	<u>(96,210)</u>	<u>(101,197)</u>
<i>Guarantees from directors</i>					

The directors of the Company provided personal guarantee in respect of the performance bond in favour of the Group during the Track Record Period, of which S\$122,080, S\$124,135, S\$161,803 and S\$225,971 remained outstanding as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

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

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	S\$	S\$	S\$	S\$ (unaudited)	S\$
Short term benefits	1,321,600	1,614,203	1,654,032	765,274	870,752
Post-employment benefits	68,484	85,489	63,916	47,371	46,989
	<u>1,390,084</u>	<u>1,699,692</u>	<u>1,717,948</u>	<u>812,645</u>	<u>917,741</u>

35. Particulars of Subsidiaries

As at the date of this report, the Company has equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company					Principal activities	Notes
			As at 31 December			As at 30 June	As at the date of this report		
			2015	2016	2017	2018			
Directly held:									
TSH	BVI 3 May 2018	US\$1	–	–	–	100%	100%	Investment holding	(a)
Indirectly held:									
TSS	Singapore 28 June 1984	S\$300,000	100%	100%	100%	100%	100%	Trading	(b)
TSM	Malaysia 24 May 1990	RM2,300,000	100%	100%	100%	100%	100%	Producers, manufacturers of and dealers in nuts	(c)
TZF	Malaysia 7 January 2014	RM500,000	100%	100%	100%	100%	100%	Producers, manufacturers of and dealers in chips	(c)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

- No audited financial statements of TSH has been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.
- The statutory financial statements were prepared in accordance with Singapore Financial Reporting Standards issued by Accounting Standards Council in Singapore and were audited by SQM (Firm No. AF1428) Chartered Accountants (Malaysia) ("SQM") for the year ended 31 December 2015 and 2016, and were audited by Deloitte & Touche LLP, Public Accountants and Chartered Accountants registered in Singapore for the year ended 31 December 2017.
- The statutory financial statements of these subsidiaries were prepared in accordance with Malaysian Private Entity Reporting Standard and were audited by SQM for the years ended 31 December 2015, 2016, and 2017.

36. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Bank and other borrowings	Obligations under finance leases	Amounts due to shareholders	Accrued issue costs	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2015	6,256,298	117,012	2,316,414	–	8,689,724
Financing cash flows	(1,410,064)	(54,598)	(706,087)	–	(2,170,749)
Non-cash changes					
New finance lease raised	–	20,000	–	–	20,000
Finance cost recognised (Note 9)	250,307	7,603	–	–	257,910
Dividend declared (Note 13)	–	–	1,627,405	–	1,627,405
Bank overdrafts	542,432	–	–	–	542,432
Unrealised exchange gain, net	–	–	(36,800)	–	(36,800)
At 31 December 2015	5,638,973	90,017	3,200,932	–	8,929,922
Financing cash flows	(1,607,106)	(77,184)	(3,207,900)	–	(4,892,190)
Non-cash changes					
New finance lease raised	–	40,000	–	–	40,000
Finance cost recognised (Note 9)	192,508	5,590	22,204	–	220,302
Dividend declared (Note 13)	–	–	2,679,330	–	2,679,330
Bank overdrafts	(542,432)	–	–	–	(542,432)
Unrealised exchange gain, net	–	–	(3,494)	–	(3,494)
At 31 December 2016	3,681,943	58,423	2,691,072	–	6,431,438
Financing cash flows	(2,381,686)	(28,738)	(2,229,019)	–	(4,639,443)
Non-cash changes					
Finance cost recognised (Note 9)	123,888	3,172	–	–	127,060
Dividend declared (Note 13)	–	–	3,229,019	–	3,229,019
Bank overdrafts	133,395	–	–	–	133,395
Unrealised exchange loss, net	–	–	4,014	–	4,014
At 31 December 2017	1,557,540	32,857	3,695,086	–	5,285,483
Financing cash flows	1,345,087	(11,890)	(3,696,807)	(231,092)	(2,594,702)
Non-cash changes					
Finance cost recognised (Note 9)	35,937	884	–	–	36,821
Bank overdrafts	538,590	–	–	–	538,590
Unrealised exchange loss, net	–	–	1,721	–	1,721
Issue costs accrued	–	–	–	472,951	472,951
At 30 June 2018	<u>3,477,154</u>	<u>21,851</u>	<u>–</u>	<u>241,859</u>	<u>3,740,864</u>

	Bank and other borrowings	Obligations under finance leases	Amounts due to shareholders	Accrued issue costs	Total
	S\$	S\$	S\$	S\$	S\$
At 31 December 2016	3,681,943	58,423	2,691,072	–	6,431,438
Financing cash flows (unaudited)	(1,533,503)	(16,945)	(2,000,000)	–	(3,550,448)
Non-cash changes (unaudited)					
Finance cost recognised (Note 9)	70,857	391	–	–	71,248
Unrealised exchange gain, net	–	–	634	–	634
At 30 June 2017 (unaudited)	<u>2,219,297</u>	<u>41,869</u>	<u>691,706</u>	<u>–</u>	<u>2,952,872</u>

37. Contingent Liabilities

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	S\$	S\$	S\$	S\$
Performance guarantee	<u>326,027</u>	<u>324,163</u>	<u>365,750</u>	<u>382,839</u>

The balances represent the performance guarantee provided by the Group in favour to its customers.

38. Director's Remuneration

The directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the directors will be approximately S\$1.2 million for the year ending 31 December 2018.

39. Subsequent Events

Save as elsewhere disclosed in this report, events and transactions took place subsequent to 30 June 2018 are detailed as below:

On 20 December 2018, written resolutions of the shareholder of the Company were passed to approve the matters set out in the section headed "Statutory and General Information – A. Further information about our Group – 3. Written resolutions of the sole Shareholder passed on 20 December 2018" in Appendix V to this Prospectus. It was resolved, among other things:

- (i) the authorised share capital was increased from HK\$380,000 to HK\$50,000,000 by the creation of a further 4,962,000,000 shares;
- (ii) conditional on the share premium account being credited as a result of the Share Offer, it was authorised to capitalise HK\$7,999,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 799,999,000 shares for allotment and issue to shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 20 December 2018; and
- (iii) conditionally approved and adopted a Share Option Scheme, the principle terms of which are set out in the section headed "D. Share option scheme" in Appendix V to the Prospectus.

40. Subsequent Financial Statements

No audited financial statements of the Company, any of its subsidiaries or the Group has been prepared in respect of any period subsequent to 30 June 2018.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2017 and the six months ended 30 June 2018 (the "Track Record Period") (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out in this appendix to illustrate the effect of the proposed public offer and placing of the Company's shares ("Share Offer") on the adjusted combined net tangible assets of the Group as at 30 June 2018, as if the Share Offer had taken place on such date.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2018 or any future dates following the Share Offer.

The following unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared based on the audited combined net tangible assets of the Group as at 30 June 2018 as set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 S\$ (Note 1)	Estimated net proceeds from the Share Offer S\$ (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 S\$	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 per share S\$ HK\$ (Note 3) (Note 4)	
Based on Offer Price of HK\$0.50 per share	<u>34,692,143</u>	<u>13,888,010</u>	<u>48,580,153</u>	<u>0.05</u>	<u>0.28</u>
Based on Offer Price of HK\$0.55 per share	<u>34,692,143</u>	<u>15,565,334</u>	<u>50,257,477</u>	<u>0.05</u>	<u>0.29</u>

Notes:

- (1) The audited combined net tangible assets of the Group is extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the issue of the new shares pursuant to the Share Offer are based on 200,000,000 new shares at the Offer Price of lower limit and upper limit of HK\$0.50 and HK\$0.55 per new share, respectively, after deduction of the associated underwriting commissions and fees and other related expenses attributable to the owners of the Company, other than those expenses which had been recognised in profit or loss on or prior to 30 June 2018.

The calculation of such estimated net proceeds does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Over-allotment Option and any shares under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors of the Company to issue or repurchase shares referred to in the sections headed "General mandate to issue Shares" or "General mandate to repurchase Shares" in this Prospectus. The estimated net proceeds from the proposed Offering are converted from Hong Kong dollars into Singapore dollars at an exchange rate of HK\$1.00 to S\$0.174. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Singapore dollars, or vice versa, at that rate or at all.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group as at 30 June 2018 per share is calculated based on 1,000,000,000 shares, being shares in issue immediately following Group Reorganisation and after the completion of the Share Offer and the Capitalisation Issue. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Over-allotment Option and any shares under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors of the Company to issue or repurchase shares referred to in the sections headed "General mandate to issue Shares" or "General mandate to repurchase Shares" in this Prospectus.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group as at 30 June 2018 per share is converted from Singapore dollars into Hong Kong dollars at the rate of S\$1.00 to HK\$5.75. No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group as at 30 June 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of TS Wonders Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of TS Wonders Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 December 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "Share Offer") on the Group's financial position as at 30 June 2018 as if the proposed Share Offer had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2017 and the six months ended 30 June 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 December 2018

The following is the summary of values within the valuation reports received from Savills Valuation And Professional Services (S) Pte Ltd (“Savills Singapore”) and Savills (Malaysia) Sdn Bhd (“Savills Malaysia”), as independent property valuers in connection with their opinion of values of the property interests of the Group as at 30 September 2018 & 19 November 2018 (for No. 56, Jalan Kekabu 6 only), prepared for the purpose of incorporation in this prospectus.



The Directors
TS Wonders Holding Limited
255 Pandan Loop
Singapore 128433

31 December 2018

Dear Sirs,

INSTRUCTIONS

In accordance with the instructions of TS Wonders Holding Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) for Savills Singapore and Savills Malaysia to value the properties situated in Singapore and Malaysia respectively (as more particularly described in the attached valuation reports), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 30 September 2018 & 19 November 2018 (for No. 56, Jalan Kekabu 6 only) (the “valuation date”).

The valuation of properties located in Singapore (namely, No. 255 Pandan Loop and No. 9G Yuan Ching Road #08-70 Lakeside Tower) are undertaken by Savills Singapore whilst the valuation of the remaining 13 properties located in Johor, Malaysia are undertaken by Savills Malaysia.

DEFINITION OF MARKET VALUE

The valuation of each of the properties represent its Market Value. The definition of Market Value adopted in the Valuation Standards and Practice Guidelines (2015 Edition) issued by Singapore Institute of Surveyors and Valuers (“SISV”) and Malaysian Valuation Standards (Fifth Edition 2015) issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia follow the International Valuation Standards published by the International Valuation Standard Council (“IVSC”).

Market Value is defined by the IVSC as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, Valuation Standards and Practice Guidelines (2015 Edition) issued by Singapore Institute of Surveyors and Valuers (“SISV”), Malaysian Valuation Standards Fifth Edition 2015 issued by Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and International Valuation Standards 2017 by IVSC.

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the values of the properties.

In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Dimensions, measurements and areas included in the valuation reports are based on information provided to us and are therefore only approximations. Unless otherwise stated, dimensions and areas would be measured on-site or scaled off from the plans and calculated in accordance with, where appropriate, each local measurement guidelines and are quoted to a reasonable approximation, with reference to their source.

We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the properties and the valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in valuation of such type of properties.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions.

VALUATION METHODOLOGY

In valuing the properties, we have adopted Direct Comparison Method which entails comparing the subject property with comparable properties which were sold or are being offered for sale and making adjustments for factors which affect value such as location, market conditions, size, tenure, siting, age/condition, efficiency and restriction (if any), availability of infrastructure, vacant possession and other relevant characteristics.

SOURCE OF INFORMATION

Savills Singapore and Savills Malaysia have relied upon the property data supplied by the Client which they assume to be true and accurate. Savills Singapore and Savills Malaysia takes no responsibility for inaccurate data supplied by the owner and subsequent conclusions related to such data.

TITLE INVESTIGATION

Savills Singapore has conducted online searches from Integrated Land Information Service (INLIS) regarding to the title of each of the properties. Savills Singapore has accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site & floor areas and all other relevant matters.

Savills Malaysia has relied to a very considerable extent on the information given to by the Group and its legal adviser in Malaysia, Chooi & Company + Cheang & Ariff, regarding to the title of each of the properties and the interests of the Group in the properties. Savills Malaysia has accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site & floor areas and all other relevant matters. Savills Malaysia has also relied on the advice given by the Group's Malaysia legal adviser regarding the Group's interests in Malaysia properties. However, Savills Malaysia has not inspected the original documents to ascertain the existence of any amendments which may not appear on the copies provided to them.

Savills Malaysia has assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable have already been fully paid.

SITE INSPECTION

The valuers have inspected the properties on 1, 2 October 2018 and 30 November 2018 (for No.56, Jalan Kekabu 6 only). However, they have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. The valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delay will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all monetary sums as shown in our valuation reports are expressed in Singapore Dollars ("SGD") for the Singapore properties and Ringgit Malaysia ("RM") for Malaysia properties.

We enclosed herewith our summary of values and valuation reports.

Yours faithfully,
For and on behalf of

**SAVILLS VALUATION AND PROFESSIONAL
SERVICES (S) PTE LTD**

KAMAL HAMDI
MSISV
Licensed Appraiser
Executive Director

SAVILLS (MALAYSIA) SDN BHD

DATUK SR. PAUL KHONG
MRICS FRISM APEPS
Chartered Surveyor
Registered Valuer (V-528)
Managing Director

Note: Mr Kamal Hamdi is the Executive Director of Savills Valuation And Professional Services (S) Pte Ltd and a Licensed Appraiser who has over 20 years of experience in valuation of properties in Singapore.

Datuk Sr. Paul Khong is the Managing Director of Savills (Malaysia) Sdn Bhd and a Registered Valuer who has over 20 years of experience in the valuation of properties in Malaysia.

SUMMARY OF VALUES

**Market Value in existing
state as at
30 September 2018**

No. Property

Group I – Properties held by the Group for owner-occupation in Singapore and Malaysia

1.	A corner terrace factory, No. 255 Pandan Loop, Singapore 128433	SGD6,800,000
2.	A detached factory, No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	RM9,100,000
3.	A detached factory, No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram Johor Darul Takzim, Malaysia.	RM6,100,000

Group II – Property held by the Group for investment in Malaysia

4.	A semi-detached factory, No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	RM4,400,000

Group III – Properties tenanted by the Group in Singapore and Malaysia

5.	A 3-bedroom apartment, No. 9G Yuan Ching Road #08-70 Lakeside Tower Singapore 618649	No commercial value
6.	A semi-detached factory, No. 2, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value
7.	A semi-detached factory, No. 8, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value

No.	Property	Market Value in existing state as at 30 September 2018
8.	A semi-detached factory, No. 10, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value
9.	The 1st floor unit of a 2-storey intermediate shophouse, No. 18A, Jalan Johar 3/2, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value
10.	A 2-storey intermediate terraced house, No. 19, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial Value
11.	A 2-storey intermediate terraced house, No. 31, Jalan Saga 5, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value
12.	A 2-storey end-lot terraced house, No. 56, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value* As at 19 November 2018
13.	A 2-storey intermediate terraced house, No. 81, Jalan Saga 9, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value

No.	Property	Market Value in existing state as at 30 September 2018
14.	A 2-storey intermediate terraced house, No. 47, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value
15.	A 2-storey intermediate terraced house, No. 49, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia.	No commercial value

VALUATION REPORT

Group I – Properties held by the Group for owner-occupation in Singapore and Malaysia

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018
1.	No. 255, Pandan Loop, Singapore 128433 The legal description of the subject property is Lot 4011T Mukim 5	The subject property is a single-storey corner terrace factory with mezzanine level and a single storey shed which was subsequently added. It is located on the north-western side of Pandan Loop, off West Coast Road/West Coast Highway and Jalan Buroh. It is situated in a designated food zone within Jurong Industrial Estate, approximately 14 kilometres west of the City Centre. Notable landmarks in the vicinity include Westech Building, Pantech 21, Pantech Business Hub, Tic Tech Centre, Unitor Building and Pandan Reservoir, amongst others. The property is erected on a 2,324.5 square metre land plot. The property has a gross floor area of about 2,243.37 square metres, based on Grant of Written Permission by the Urban Redevelopment Authority (URA) on 23 September 2010 and subject to final survey. The original building is more than 30 years old. The Certificate of Statutory Completion for the shed was obtained on 11 September 2017. In addition, we understand that the mezzanine level office was renovated in recent years. During our site inspection, we observed that a recent improvement work was carried out to the rear section of the building. As at the date of our inspection, the subject property was in a fairly good condition. It is held under a land lease from JTC Corporation (JTC) for a term of 30 years commencing 1 August 2014, subject to payment of land rent to JTC.	As at the valuation date, the property was occupied by the Group under the name of Tai Sun (Lim Kee) Food Industries Pte. Ltd.	SGD6,800,000

Notes:

- (1) Based on our brief title search from Singapore Land Authority (SLA), the registered owner of the property is Tai Sun (Lim Kee) Food Industries Pte. Ltd.
- The land area (subject to government's re-survey) is 2,324.5 square metres.
 - The subject property is mortgaged to DBS Bank Ltd.
 - The permitted use under the JTC Lease is for the manufacture of snack food and foodstuffs, peanuts, cashew nuts, potato chips, dried fish and packing of preserved fruits only except with the prior consent in writing of the Lessor.

- (2) The property is situated within an area zoned for “Business 2” use with a gross plot ratio of 2.5 under the Master Plan (2014). Based on Master Plan Written Statement 2014, Business 2 (“B2”) zone is used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority. The quantum of permitted ancillary uses shall not exceed 40% of the total floor area. The types of B2 and ancillary uses that may be allowed are subject to the evaluation of the competent authority and other relevant authorities.
- (3) The original building is a standard type factory built by JTC in the early 1980s.
- (4) Based on Grant of Written Permission by the URA on 23 September 2010 for proposed addition of a new shed to the existing single-storey terrace factory with mezzanine floor on Lot 4011T Mukim 5 at 255 Pandan Loop, the total gross floor area of the proposed building is 2,243.37 sm, including the shed of 625.38 sm.
- (5) According to the Certificate of Statutory Completion bearing reference no. CSC 201759299 issued by the Building & Construction Authority (BCA) dated 11 September 2017, the shed that adjoins the original building was completed.
- (6) During our inspection, we observed that there was a recent improvement work carried out to the existing rear section, in which a new metal roof was installed such that the ceiling height of the rear section is raised to the same level as the existing roof of the main building. New wall plastering and cement screed floor finish with stiffener were also part of this improvement work at the rear section of the building.
- (7) The subject property was assessed by the Inland Revenue Authority of Singapore (IRAS) at an Annual Value (AV) of S\$196,000 for the Year 2018. Property tax is payable at 10% per annum of the assessed AV.
- (8) The land rent payable to JTC (before rent concession, if any and GST) is S\$5,540.06 per month for the period from 1 August 2018 to 31 July 2019. The JTC land rent is subject to annual revision on 1st day of August every year at a rate based on the market rent based on the respective dates determined by the JTC but so that the increase shall not exceed 5.5% of the annual rent for each immediate preceding year.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018
2.	A detached factory, No. 7, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 136823/Lot 111588, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a developer-designed single storey detached factory with an annexed 2-storey office. It is located within Taman Perindustrian Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 5,868 square metres industrial land. The property has a total gross floor area of approximately 5,230 square metres (approx. 56,300 square feet) and was completed in 2008. The property is tenanted to Treatz Foods Sdn. Bhd. ("Treatz"), a wholly-owned subsidiary company of Tai Sun (Lim Kee) Food Industries Pte. Ltd. from Tai Sun Lim Kee Food Industries (M) Sdn. Bhd., for a term of 2 years commencing on 1 January 2017 and expiring on 31 December 2018 at a monthly rental of RM5,000 with an option to renew for a further 1-year term. The tenancy has been renewed on 12 December 2018 for a term of 2 years commencing on 1 January 2019 and expiring on 31 December 2020 with an option to renew for a further 1-year term. The property is held with land use rights for a freehold interest (i.e. perpetual title).	As at the valuation date, the property was tenanted to Treatz Foods Sdn. Bhd., a wholly-owned subsidiary company of Tai Sun (Lim Kee) Food Industries Pte. Ltd..	RM9,100,000

Notes:

- (1) According to the title search of the registered Document of Title (i.e. Lot 111588) issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Tai Sun Lim Kee Food Industries (M) Sdn. Bhd..
 - i. The title land area is approximately 5,868 square metres (i.e. approximately 1.45 acres) and is designated for industrial use.
 - ii. The annual Quit Rent (Cukai Tanah) amounts to RM2,100.
- (2) The property is situated within an area zoned for industrial use under the local authority (Johor Bahru City Council) planning guidelines.
- (3) We have not been provided with the original approved building plans and have relied on the attached building plans in the principal Sale & Purchase Agreement (SPA) dated 21 September 2007 provided by the Client.

(4) According to the Certificate of Fitness for Occupation bearing reference no. 0222/2008 issued by the local authority (Majlis Perbandaran Johor Bahru Tengah) dated 10 March 2008, the building has been fully completed and is fit for occupation.

(5) There are some extra extensions done on the building i.e.

- i. extension on the mezzanine floor; and
- ii. lean-to extensions built on front, sides and rear sections.

We have been informed by the Client that an online application for approval (bearing reference no. ADE/18024 dated 16 July 2018) has been submitted to Majlis Bandaraya Johor Bahru (MBJB) on 13 July 2018.

Latest on 26 September 2018, we note that Item (i) above has secured the relevant approvals from Majlis Bandaraya Johor Bahru vide letter bearing reference no. MBJB/U/2018/14/UBT/391(11).

(6) The annual Assessment Rate (Cukai Pintu) for 2018 is RM16,251.

(7) We have been provided with a legal opinion on the property by Group's legal adviser, which contains, *inter alia*, the following information:

- i. Tai Sun Lim Kee Food Industries (M) Sdn. Bhd., a wholly-owned subsidiary of Tai Sun (Lim Kee) Food Industries Pte. Ltd., is presently the registered owner of the property;
- ii. a Charge is registered against the property in favour of Public Bank Berhad; and
- iii. The restriction-in-interest in the title reads, amongst others:-

“Tanah yang terkandung di dalam hakmilik ini apabila sahaja bertukar miliknya kepada seorang Bumiputra maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindah milik dengan apa cara sekalipun kepada orang yang bukan Bumiputra tanpa persetujuan Penguasa Negeri”.

(The land contained within this title, once transferred to a Bumiputera shall not subsequently be disposed, leased or transferred by any means to a non-Bumiputera without the consent of the state authority.)

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018
3.	A detached factory, No. 8, Jalan Istimewa 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia It is held under GRN 136818/Lot 111583, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia	The property is a standard developer-designed single storey detached factory with an annexed 2-storey office. It is located within Taman Perindustrian Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 4,050 square metres industrial land. The property has a total gross floor area of approximately 3,642 square metres (approx. 39,200 square feet) and was completed in 1999. The property is held with land use rights for a freehold interest (i.e. perpetual title).	As at the valuation date, the property was occupied by the Group under the name of Tai Sun Lim Kee Food Industries (M) Sdn. Bhd..	RM6,100,000

Notes:

- (1) According to the title search of the registered Document of Title (i.e. Lot 111583) issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Tai Sun Lim Kee Food Industries (M) Sdn. Bhd..
 - i. The title land area is approximately 4,050 square metres (i.e. approximately 1 acre) and is designated for industrial use.
 - ii. The annual Quit Rent (Cukai Tanah) amounts to RM1,200.
- (2) The property is situated within an area zoned for industrial use under the local authority (Johor Bahru City Council) planning guidelines.
- (3) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly.
- (4) According to the Certificate of Fitness for Occupation bearing reference no. 341/99 issued by the local authority (Majlis Daerah Johor Bahru Tengah) dated 12 August 1999, the building has been fully completed and is fit for occupation.

(5) There are some extra extensions done on the building i.e.

- i. extension on the mezzanine floor; and
- ii. lean-to extensions built on front, sides and rear sections.

We have been informed by the Client that an online application for approval (bearing reference no. ADE/18022 dated 10 July 2018) has been submitted to Majlis Bandaraya Johor Bahru (MBJB) on 10 July 2018.

Latest on 26 September 2018, we note that Item (i) above has secured the relevant approvals from Majlis Bandaraya Johor Bahru vide letter bearing reference no. MJB/B/U/2018/14/UBT/390(11).

(6) The annual Assessment Rate (Cukai Pintu) for 2018 is RM13,557.

(7) We have been provided with a legal opinion on the property by Group's legal adviser, which contains, *inter alia*, the following information:

- i. Tai Sun Lim Kee Food Industries (M) Sdn. Bhd., a wholly-owned subsidiary of Tai Sun (Lim Kee) Food Industries Pte. Ltd., is presently the registered owner of the property; and
- ii. a Charge is registered against the property in favour of Public Bank Berhad.

VALUATION REPORT

Group II – Property held by the Group for investment in Malaysia

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018
4.	A semi-detached factory, No. 6, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under HSD 570445/Lot PTD 221789, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a standard developer-designed single storey semi-detached factory with an annexed 2-storey office. It is located within Frontier Industrial Park – Phase II @ Taman Perindustrian Maju Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 1,769 square metres industrial land. The property has a total gross floor area of approximately 1,245 square metres (approx. 13,400 square feet) and was completed in 2016. The property is tenanted to Eurohaus Classics Sdn. Bhd., from Treatz Foods Sdn. Bhd. (“Treatz”), a wholly-owned subsidiary company of Tai Sun (Lim Kee) Food Industries Pte. Ltd., for a term of 2 years commencing on 1 May 2017 and expiring on 30 April 2019 at a monthly rental of RM18,000 with an option to renew for a further 1-year term. The property is held with land use rights for a freehold interest (i.e. perpetual title).	As at the valuation date, the property was tenanted by Eurohaus Classics Sdn. Bhd..	RM4,400,000

Notes:

- (1) According to the title search of the registered Document of Title (i.e. Lot PTD 221789) issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Treatz Foods Sdn. Bhd..
 - i. The provisional title land area is approximately 1,769 square metres (i.e. approximately 0.437 acre) and is designated for industrial use.
 - ii. The annual Quit Rent (Cukai Tanah) amounts to RM1,600.
- (2) The property is situated within an area zoned for industrial use under the local authority (Johor Bahru City Council) planning guidelines.

- (3) We have not been provided with the original approved building plans and have relied on the attached building plans in the principal Sale & Purchase Agreement (SPA) dated 8 October 2014 provided by the client.
- (4) According to the Certificate of Completion and Compliance (CCC) bearing reference no. LJM/J/1393 dated 20 October 2016, the building has been fully completed and is fit for occupation.
- (5) The annual Assessment Rate (Cukai Pintu) for 2018 is RM8,289.
- (6) We have been provided with a legal opinion on the property prepared by Group's legal adviser, which contains, *inter alia*, the following information:
 - i. Treatz Foods Sdn. Bhd., a wholly-owned subsidiary of Tai Sun (Lim Kee) Food Industries Pte. Ltd., is presently the registered owner of the property; and
 - ii. a Charge is registered against the property in favour of Public Bank Berhad.

VALUATION REPORT

Group III – Properties Tenanted by the Group in Singapore and Malaysia

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
5.	No. 9G Yuan Ching Road #08-70 Lakeside Tower, Singapore 618649 The legal description of the subject property is Strata Lot U1596P Mukim 6	The subject property is a 3-bedroom apartment on the 8th storey of a 20-storey block within a residential development known as Lakeside Tower. The development is located on the eastern side of Yuan Ching Road, off Boon Lay Way and Corporation Road, approximately 18 kilometres west of the City Centre. Notable landmarks in the vicinity include Jurong Lake District, Taman Jurong Shopping Centre, Taman Jurong Community Club, Taman Jurong Market/Food Centre, Jurong Point and Canadian International School (Lakeside Campus), amongst others. The property has a strata floor area of 183 square metres. Completed in 1981, the subject development is more than 30 years old. As at the date of our inspection, the subject property was in an average condition.	As at the valuation date, the property was occupied by the Group as a workers' hostel.	No commercial value

Notes:

- (1) Based on our brief title search from Singapore Land Authority (SLA), the registered owner of the property is Poh Choon Her Investment Pte. Ltd. The strata floor area is 183 square metres (i.e. approximately 1,970 square feet).
- (2) The property is situated within an area zoned for "Residential" use with a gross plot ratio of 2.1 under the Master Plan (2014).
- (3) The property is rented from Poh Choon Her Investment Pte. Ltd. to Tai Sun (Lim Kee) Food Industries Pte. Ltd. at a rent of SGD2,600 per month for 2 years from 8 October 2015 to 7 October 2017 with an option to renew for a further term of 1 year. We noted that on 6 October 2017, all the parties have agreed to renew the tenancy at the same monthly rental of SGD2,600 for another 2 years commencing on 8 October 2017.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
6.	A semi-detached factory, No. 2, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under HSD 570443/Lot PTD 221787, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a standard developer-designed single storey semi-detached factory with an annexed 2-storey office. It is located within Frontier Industrial Park – Phase II @ Taman Perindustrian Maju Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 1,970 square metres industrial land. The property has a total gross floor area of approximately 1,245 square metres (approx. 13,400 square feet) and was completed in 2016. The property is rented by Treatz Foods Sdn. Bhd. from Wan Ching @ Wan Ching Lin (the “landlord”), an independent third party, for a term of 6 months commencing from 1 August 2018 and expiring on 31 January 2019 with a monthly rental of RM15,000 and with an option to renew for a further term of 3 months.	As at the valuation date, the property was occupied by the Group as a storage.	No commercial value

Notes:

- (1) According to HSD 570443, Lot PTD 221787 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Wan Ching @ Wan Ching Lin. The provisional title land area is approximately 1,970 square metres (i.e. approximately 0.487 acre) and is designated for industrial use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,245 square metres (approx. 13,400 square feet).
- (3) The property is rented by Treatz Foods Sdn. Bhd. from the landlord for a term of 6 months commencing from 1 August 2018 and expiring on 31 January 2019 with a monthly rental of RM15,000 and with an option to renew for a further term of 3 months.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
7.	A semi-detached factory, No. 8, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under HSD 570446/Lot PTD 221790, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a standard developer-designed single storey semi-detached factory with an annexed 2-storey office. The coldroom fitted within the Subject Property and a roof extension connecting to the neighbouring unit (No. 10) are tenant improvements and do not form part of the Subject Property. It is located within Frontier Industrial Park – Phase II @ Taman Perindustrian Maju Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 1,769 square metres industrial land. The property has a total gross floor area of approximately 1,245 square metres (approx. 13,400 square feet) and was completed in 2016. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Tai Sun Lim Kee Trading Sdn. Bhd. (the “landlord”) for a term of 2 years commencing from 1 July 2018 and expiring on 30 June 2020 with a monthly rental of RM16,000 and with an option to renew for a further term of 1 year.	As at the valuation date, the property was occupied by the Group as a cold room storage.	No commercial value

Notes:

- (1) According to HSD 570446, Lot PTD 221790 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Tai Sun Lim Kee Trading Sdn. Bhd.. The provisional title land area is approximately 1,769 square metres (i.e. approximately 0.437 acre) and is designated for industrial use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,245 square metres (approx. 13,400 square feet).
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 1 July 2018 and expiring on 30 June 2020 at a monthly rental of RM16,000 with an option to renew for a further term of 1 year.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
8.	A semi-detached factory, No. 10, Jalan Maju Cemerlang 3, Taman Perindustrian Maju Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under HSD 570447/Lot PTD 221791, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia	The property is a standard developer-designed single storey semi-detached factory with an annexed 2-storey office. During the course of inspection, we note that there is on-going renovation works (partition) within the warehouse section (landlord improvement's). The roof extension connecting to the neighbouring unit (No. 8) is tenant improvement and does not form part of the Subject Property. It is located within Frontier Industrial Park – Phase II @ Taman Perindustrian Maju Cemerlang which lies approximately 20 kilometres due north-east of City Centre of Johor Bahru. Notable industrial concerns found within the general vicinity include Meiban Technologies (M) Sdn Bhd, Jubilee Manufacturing Sdn Bhd, London Biscuits Sdn Bhd, Bee Chun Heng Foodstuffs Sdn Bhd and Aquatex Industries Sdn Bhd to name a few. The property is erected on a 1,769 square metres industrial land. The property has a total gross floor area of approximately 1,244 square metres (approx. 13,400 square feet) and was completed in 2016. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Tai Sun Lim Kee Trading Sdn Bhd (the “landlord”) for a term of 2 years commencing from 1 September 2017 and expiring on 31 August 2019 with a monthly rental of RM15,000 and with an option to renew for a further term of 1 year.	As at the valuation date, the property was occupied by the Group as a warehouse storage.	No commercial value

Notes:

- (1) According to HSD 570447, Lot PTD 221791 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Tai Sun Lim Kee Trading Sdn. Bhd.. The provisional title land area is approximately 1,769 square metres (i.e. approximately 0.437 acre) and is designated for industrial use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,245 square metres (approx. 13,400 square feet).
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 1 September 2017 and expiring on 31 August 2019 at a monthly rental of RM15,000 with an option to renew for a further term of 1 year.
- (4) We have been provided with a legal opinion on the property prepared by Group's legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
9.	The 1st floor unit of a 2-storey intermediate shophouse, No. 18A, Jalan Johar 3/2, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia It is held under part of GRN 402708/Lot 154159, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is the 1st floor unit of a 2-storey intermediate shophouse located along Jalan Johar 3/1 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 1,600 square feet. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Gather Properties Sdn Bhd C/O Foo Siang Lim (the “landlord”), an independent third party, for a term of 2 years commencing from 8 August 2017 and expiring on 7 August 2019 with a monthly rental of RM1,650 and with an option to renew for a further term of 1 year.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 402708, Lot 154159 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Foo Siang Lim. The title land area is approximately 164 square metres and is designated for commercial use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,600 square feet.
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 8 August 2017 and expiring on 7 August 2019 at a monthly rental of RM1,650 with an option to renew for a further term of 1 year.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
10.	A 2-storey intermediate terraced house, No. 19, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 69858/Lot 59916, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey intermediate terraced house located along Jalan Kekabu 6 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 1,700 square feet. The property is rented by Treatz Foods Sdn. Bhd. from Tan Shock Pheng (the “landlord”), an independent third party, for a term of 2 years commencing from 1 September 2018 and expiring on 31 August 2020 with a monthly rental of RM1,100 and with an option to renew for a further term of 2 years.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 69858, Lot 59916 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Tan Shock Pheng. The title land area is approximately 130 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,700 square feet.
- (3) The property is rented by Treatz Foods Sdn. Bhd. from the landlord for a term of 2 years commencing from 1 September 2018 and expiring on 31 August 2020 with a monthly rental of RM1,100 and with an option to renew for a further term of 2 years.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
11.	A 2-storey intermediate terraced house, No. 31, Jalan Saga 5, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 70604/Lot 59138, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey intermediate terraced house located along Jalan Saga 5 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 1,800 square feet. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Yip Kar Leong (the “landlord), an independent third party, for a term of 2 years commencing from 1 August 2018 and expiring on 31 July 2020 with a monthly rental of RM850 and with an option to renew for a further term of 2 years.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 70604, Lot 59138 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Yip Kar Leong. The title land area is approximately 164 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,800 square feet.
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing from 1 August 2018 and expiring on 31 July 2020 with a monthly rental of RM850 and with an option to renew for a further term of 2 years.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 19 November 2018
12.	A 2-storey end-lot terraced house, No. 56, Jalan Kekabu 6, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 69919/Lot 59817, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey end-lot terraced house located along Jalan Kekabu 6 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 2,100 square feet. The property is rented by Treatz Foods Sdn. Bhd. from Conrad Wee Hoe Thong (the “landlord”), an independent third party, for a term of 2 years commencing from 19 November 2018 and expiring on 18 November 2020 with a monthly rental of RM1,250 and with an option to renew for a further term of 2 years.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 69919, Lot 59817 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Conrad Wee Hoe Thong. The title land area is approximately 256 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 2,100 square feet.
- (3) The property is rented by Treatz Foods Sdn. Bhd. from the landlord for a term of 2 years commencing from 19 November 2018 and expiring on 18 November 2020 at a monthly rental of RM1,250 with an option to renew for a further term of 2 years.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, inter alia, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
13.	A 2-storey intermediate terraced house, No. 81, Jalan Saga 9, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 70719/Lot 59407, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey intermediate terraced house located along Jalan Saga 9 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 1,700 square feet. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Chong Yoke Keong (the “landlord”), an independent third party, for a term of 2 years commencing from 1 December 2017 and expiring on 30 November 2019 with a monthly rental of RM1,100 and with an option to renew for a further term of 2 years.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 70719, Lot 59407 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Chong Yoke Keong. The title land area is approximately 171 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 1,700 square feet.
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 1 December 2017 and expiring on 30 November 2019 at a monthly rental of RM1,100 with an option to renew for a further term of 2 years.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
14.	A 2-storey intermediate terraced house, No. 47, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 70075/Lot 58900, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey intermediate terraced house located along Jalan Saga 14 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 2,100 square feet. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Apollo Food Industries (M) Sdn. Bhd. (the “landlord”), an independent third party, for a term of 2 years commencing from 1 August 2017 and expiring on 31 July 2019 with a monthly rental of RM900.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 70075, Lot 58900 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Apollo Food Industries (M) Sdn. Bhd.. The title land area is approximately 164 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 2,100 square feet.
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 1 August 2017 and expiring on 31 July 2019 at a monthly rental of RM900.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

VALUATION REPORT

No.	Property	Description and tenancy details	Particulars of occupancy	Market Value in existing state as at 30 September 2018
15.	A 2-storey intermediate terraced house, No. 49, Jalan Saga 14, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia. It is held under GRN 70074/Lot 58901, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim, Malaysia.	The property is a 2-storey intermediate terraced house located along Jalan Saga 14 within Taman Desa Cemerlang. It lies approximately 16 kilometres due north-east of City Centre of Johor Bahru. Developments in the vicinity comprise mainly of terraced houses, semi-detached houses, detached houses, shophouses and vacant land for future development. The property has a gross floor area of approximately 2,100 square feet. The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from Apollo Food Industries (M) Sdn. Bhd. (the “landlord”), an independent third party, for a term of 2 years commencing from 1 August 2017 and expiring on 31 July 2019 with a monthly rental of RM900.	As at the valuation date, the property was occupied by the Group as a worker’s hostel.	No commercial value

Notes:

- (1) According to GRN 70074, Lot 58901 issued by Registry of Land Titles, Johor Darul Takzim, the registered owner of the property is Apollo Food Industries (M) Sdn. Bhd.. The title land area is approximately 164 square metres and is designated for residential use.
- (2) No copies of the original approved building plans have been provided. We have physically measured the property on-site and re-drawn the floor plan accordingly. The gross floor area of the property is estimated at approximately 2,100 square feet.
- (3) The property is rented by Tai Sun Lim Kee Food Industries (M) Sdn. Bhd. from the landlord for a term of 2 years commencing on 1 August 2017 and expiring on 31 July 2019 at a monthly rental of RM900.
- (4) We have been provided with a legal opinion on the property prepared by Group’s legal adviser, which contains, *inter alia*, the following information:
 - i. the Tenancy Agreement is legally binding; and
 - ii. the Group has the right to hold and enjoy the property during the term of the tenancy.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 December 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless 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 has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 19 April 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 2 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018 under the Companies Law. Our Company's registered office is at the office of Estera Trust (Cayman) Limited at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Room 901, 9th Floor, Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 23 May 2018. Ms. Chan So Fun, our company secretary has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutive documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 19 April 2018, one Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to SWL on the same date. On 19 April 2018, 99 additional Shares were allotted and issued to SWL, all credited as fully paid;
- (b) on 18 December 2018, each of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong transferred all his/her shares in TSS to TSH at the consideration of S\$1.0 respectively, which was settled by our Company allotting and issuing 220 new Shares, 220 new Shares, 220 new Shares, 220 new Shares, 10 new Shares and 10 new Shares, all credited as fully paid, to SWL at the directions of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong respectively. Upon completion of the share transfer, TSS became an indirect wholly-owned subsidiary of our Company;
- (c) pursuant to the written resolutions of the sole Shareholder dated 20 December 2018, our Company increased its authorised share capital from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares; and

- (d) immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 4,000,000,000 Shares will remain unissued. Other than the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed “Share capital” and “History, Reorganisation and corporate structure – Reorganisation” of this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder dated 20 December 2018

Pursuant to the written resolutions of the sole Shareholder dated 20 December 2018:

- (a) our Company approved and adopted the Memorandum and the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares; and
- (c) conditional on the same conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the Listing Rules; (3) granting options under the Share Option Scheme and allotting and issuing from time to time any Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total number of Shares in issue as at the Listing Date; and (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may thereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, an amount of HK\$7,999,990 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 799,999,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 20 December 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing Shares;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Articles of Association, pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme) unissued Shares which, in aggregate, shall not exceed 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;
- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares which, in aggregate, shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and
- (vi) conditional on the passing of the resolutions referred to in sub-paragraphs (iv) and (v) above, the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition of the total number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) on 19 April 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to SWL on the same date. On 19 April 2018, 99 additional Shares were allotted and issued to SWL, all credited as fully paid;
- (b) on 23 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TZF to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM89,000 and RM89,000 respectively. Upon completion of the share transfer, TZF became a direct wholly-owned subsidiary of TSS;
- (c) on 24 April 2018, each of Mr. Winston Lim and Mr. Lawrence Lim transferred all his shares in TSM to TSS. The cash consideration paid by TSS to Mr. Winston Lim and Mr. Lawrence Lim was RM409,000 and RM409,000 respectively. Upon completion of the share transfer, TSM became a direct wholly-owned subsidiary of TSS;
- (d) on 3 May 2018, TSH was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1.0 each. On 10 May 2018, one share in TSH was allotted and issued to our Company, credited as fully paid;
- (e) on 18 December 2018, each of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong transferred all his/her shares in TSS to TSH at the consideration of S\$1.0 respectively, which was settled by our Company allotting and issuing 220 new Shares, 220 new Shares, 220 new Shares, 220 new Shares, 10 new Shares and 10 new Shares, all credited as fully paid, to SWL at the directions of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong respectively. Upon completion of the share transfer, TSS became an indirect wholly-owned subsidiary of our Company; and
- (f) on 18 December 2018, nine shares in TSH were allotted and issued to our Company, all credited as fully paid, in consideration for our Company allotting and issuing in aggregate 900 new Shares for the acquisition of the entire issued share capital of TSS by TSH.

Changes in share capital of subsidiaries in our Company

Our subsidiaries are set out under the accountants' report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the paragraph headed "4. Reorganisation" above and in the section headed "History, Reorganisation and corporate structure" of this prospectus, there has been no other alteration in the share capital of any of the subsidiaries in our Company within the two years immediately preceding the date of this prospectus.

5. Repurchase by our Company of its own securities

This paragraph includes information relating to the repurchase by our Company of its Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by the sole Shareholder pursuant to the written resolutions of the sole Shareholder dated 20 December 2018 authorising them to exercise all powers of our Company to repurchase Shares which, in aggregate, shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(c) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Subject to the foregoing, any repurchases by our Company may be made out of the profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Law, any repurchases of Shares may also be paid out of the share capital of our Company.

(d) Trading restrictions

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed new issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing its Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. In addition, our Company is prohibited from repurchasing its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing price for the five consecutive preceding trading days on which the Shares were traded on the Stock Exchange. The broker appointed by our Company to effect a repurchase of Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

(e) Status of repurchased Shares

All repurchased Shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the number of shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(f) Suspension of repurchase

Repurchases of Shares are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not reported under the Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period (if applicable) under the Listing Rules or any other interim period (whether or not required under the Listing Rules), our Company may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchases of Shares on the Stock Exchange if our Company has breached the Listing Rules.

(g) Reporting requirements

Certain information relating to repurchase of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

(h) Core connected persons

According to the Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(i) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(j) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to the Company.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Group.

(k) General

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

No core connected person has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

- (a) the share purchase agreement dated 18 December 2018 and entered into among Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong as vendors, TSH as purchaser, and our Company, pursuant to which each of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong agreed to transfer all his/her shares in TSS to TSH at the consideration of S\$1.0 respectively, which was settled by our Company allotting and issuing 220 new Shares, 220 new Shares, 220 new Shares, 220 new Shares, 10 new Shares and 10 new Shares, all credited as fully paid, to SWL at the directions of Mdm. Han, Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim, Mr. James Loo and Ms. Jillian Ong respectively;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition;
- (d) the cornerstone investment agreement dated 28 December 2018 and entered into among our Company, Macy's Candies Limited and the Joint Lead Managers, details of which are set out in the section headed "Cornerstone investors" of this prospectus;
- (e) the cornerstone investment agreement dated 28 December 2018 and entered into among our Company, Mr. Lee Tak Kong Alfred and the Joint Lead Managers, details of which are set out in the section headed "Cornerstone investors" of this prospectus; and
- (f) the Public Offer Underwriting Agreement.

2. Intellectual property rights**(a) Trademarks**

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Trademark number	Registered owner	Place of registration	Class(es)	Registration date	Expiry date
	T7667923H	TSS	Singapore	29	12 October 1977	27 May 2027
	T7667924F	TSS	Singapore	30	9 December 1977	27 May 2027
	T8301805E	TSS	Singapore	31	25 May 1989	11 April 2024
	T8301806C	TSS	Singapore	29	30 March 1991	11 April 2024
	T8400723E	TSS	Singapore	29	3 February 2005	16 February 2025

Trademark	Trademark number	Registered owner	Place of registration	Class(es)	Registration date	Expiry date
	T8805910H	TSS	Singapore	30	28 February 1991	24 October 2025
	T0706460B	TSS	Singapore	29	12 July 2007	23 March 2027
	T0706461J	TSS	Singapore	30	29 June 2007	23 March 2027
	T0706462I	TSS	Singapore	31	24 August 2007	23 March 2027
	T1113680I	TSS	Singapore	29	6 February 2014	30 September 2021
	T1113681G	TSS	Singapore	30	18 March 2014	30 September 2021
	T1113682E	TSS	Singapore	31	9 March 2012	30 September 2021
	T1113685Z	TSS	Singapore	29	14 February 2014	30 September 2021
	T1113686H	TSS	Singapore	30	6 February 2014	30 September 2021
	T1113687F	TSS	Singapore	31	9 May 2012	30 September 2021
	T1113688D	TSS	Singapore	29	6 February 2014	30 September 2021
	T1304120A	TSS	Singapore	29	6 May 2014	12 March 2023
	T1304115E	TSS	Singapore	29	6 May 2014	12 March 2023
	T1113684A	TSS	Singapore	30	30 December 2014	30 September 2021
	T1304117A	TSS	Singapore	29	6 May 2014	12 March 2023
	T1304118Z	TSS	Singapore	30	7 August 2013	12 March 2023
	T1304116C	TSS	Singapore	29	28 May 2015	12 March 2023
	T1304119H	TSS	Singapore	30	30 December 2014	12 March 2023

Trademark	Trademark number	Registered owner	Place of registration	Class(es)	Registration date	Expiry date
	01008993	TSM	Malaysia	32	16 July 2001	16 July 2021
	2014068691	TSM	Malaysia	29	12 December 2014	12 December 2024
	2014068693	TSM	Malaysia	30	12 December 2014	12 December 2024
	2014068695	TSM	Malaysia	32	12 December 2014	12 December 2024
	2014068715	TSM	Malaysia	29	12 December 2014	12 December 2024
	2014068718	TSM	Malaysia	30	12 December 2014	12 December 2024
	2014068719	TSM	Malaysia	32	12 December 2014	12 December 2024
	14108269	TSS	The PRC	29	14 April 2015	13 April 2025
	14108268	TSS	The PRC	30	14 April 2015	13 April 2025
	14108267	TSS	The PRC	29	14 April 2015	13 April 2025
	14108088	TSS	The PRC	30	14 April 2015	13 April 2025
	14108271	TSS	The PRC	29	7 June 2015	6 June 2025
	14108270	TSS	The PRC	29	7 June 2015	6 June 2025
	25834728	TSS	The PRC	29	7 August 2018	6 August 2028
	25834730	TSS	The PRC	29	7 August 2018	6 August 2028
	304486735	TSS	Hong Kong	29, 30, 31	10 April 2018	9 April 2028
						

Trademark	Trademark number	Registered owner	Place of registration	Class(es)	Registration date	Expiry date
	304486753	TSS	Hong Kong	29, 30, 31	10 April 2018	9 April 2028
						
	304486744	TSS	Hong Kong	29, 30, 31	10 April 2018	9 April 2028
						
	304486762	TSS	Hong Kong	29, 30	10 April 2018	9 April 2028
						
	304486771	TSS	Hong Kong	29, 30	10 April 2018	9 April 2028
						
	KH/76279/17	TSS	Cambodia	29	7 November 2018	13 October 2027
	KH/76277/17	TSS	Cambodia	29	7 November 2018	13 October 2027
	KH/76278/17	TSS	Cambodia	29	7 November 2018	13 October 2027

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks and the applications are still in process:

Trademark	Application number	Name of applicant	Place of registration	Class(es)	Date of application
	KH/76276/17	TSS	Cambodia	29	13 October 2017
	40201805650R	TSS	Singapore	29, 30, 31	26 March 2018
	40201824059Y	TSS	Singapore	29, 30, 31	20 November 2018
	40201824060P	TSS	Singapore	29, 30, 31	20 November 2018

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registered owner	Registration date	Expiry date
taisun.com.sg	TSS	5 October 1996	5 October 2020

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS**1. Interests and short positions of Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations**

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, will be as follows:

Long position in the shares of SWL, an associated corporation of our Company

Name of Director	Capacity/Nature of interest	Number of share(s) held in SWL	Percentage of issued share capital in SWL
Ms. Sandy Lim	Beneficial owner (<i>Note</i>)	490	24.5%
Mr. Winston Lim	Beneficial owner (<i>Note</i>)	490	24.5%
Mr. Lawrence Lim	Beneficial owner (<i>Note</i>)	490	24.5%

Note: SWL held in aggregate 750,000,000 Shares, representing 75.0% of the issued share capital of our Company. The issued share capital of SWL is legally and beneficially owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong.

2. Interests and/or short positions of substantial shareholders in the shares or underlying shares of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the shares or underlying shares of our Company and its associated corporations which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Percentage of issued share capital
SWL	Beneficial owner (<i>Note</i>)	750,000,000	75.0%

Note: The issued share capital of SWL is legally and beneficially owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong.

3. Particulars of service agreements

Each of Ms. Sandy Lim, Mr. Winston Lim, Mr. Lawrence Lim and Mr. Sean Lim, all being our Executive Directors, has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our Executive Directors is entitled to their respective basic salary set out in the paragraph headed "C. Further information about Directors, management, staff and experts – 4. Directors' emoluments" in this appendix (subject to an annual increment, which will be made at the discretion of our Directors).

Each of our Independent Non-Executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our Independent Non-Executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

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

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director, the remuneration policy of our Company and the prevailing market conditions.

The appointments of our Executive Directors and Independent Non-Executive Directors are subject to the provisions of retirement and rotation of directors under the Articles.

4. Directors' emoluments

- (i) For the three years ended 31 December 2017 and the six months ended 30 June 2018, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately S\$1.0 million, S\$1.3 million, S\$1.3 million and S\$0.6 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 is expected to be approximately S\$1.2 million.

- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.
- (v) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	S\$
Ms. Sandy Lim	460,000
Mr. Winston Lim	446,000
Mr. Lawrence Lim	446,000
Mr. Sean Lim	66,000
Independent Non-Executive Directors	HK\$
Mr. Chan Ka Yu	180,000
Mr. Lee Yan Fai	180,000
Mr. Chew Keat Yeow	180,000

- (vi) Each of our Executive Directors and Independent Non-Executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service agreement or letter of appointment.

5. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting – Commission and expenses” of this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

6. Related party transactions

Save for the transactions conducted in connection with the Reorganisation or as disclosed in note 34 to the accountants’ report set out in Appendix I to this prospectus, our Group has not engaged in any other material related party transactions during the Track Record Period.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the shares, underlying shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group, nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which our Group holds any equity interest (“**Invested Entity**”).

(ii) Who may join

Subject to the provisions in the Share Option Scheme, our Board shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (“**Eligible Participant(s)**”):

- (1) any employee (whether full-time or part-time) of our Group and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of our Group or any Invested Entity;
- (3) any supplier of goods or services to any member of our Group or any Invested Entity;
- (4) any customer of our Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; or
- (6) any person who, in the sole discretion of the Board, has contributed or may contribute to our Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of Shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 100,000,000 Shares, being 10% of the total number of Shares in issue (assuming the Over-allotment Option is not exercised) as at the Listing Date unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (3) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of Shares in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or exercised options) will not be counted for the purpose of calculating the Renewal Limit.

- (4) For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the Listing Rules must be sent to our Shareholders.
- (5) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information and the disclaimer as required under the Listing Rules.

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of the options exceeding 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- (3) the number and terms (including the exercise price) of such option are fixed before the general meeting of our Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a Director, chief executive or substantial Shareholder of our Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (2) Where an option is to be granted to a substantial Shareholder or an Independent Non-Executive Director (or any of his/her/its respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and
- (b) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5.0 million, such grant shall not be valid unless:
 - I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules, including, in particular, (i) details of the number and terms (including exercise price) of the options to be granted to such connected person, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the exercise price, and (ii) a recommendation from the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting; and
 - II. the grant has been approved by our Shareholders in general meeting (taken on a poll) at which such person and his/her/its connected persons shall abstain from voting in favour of the grant (unless such connected person's intention to vote against the proposed grant of option has been stated in the relevant circular).

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years from the date of the offer letter.

A consideration of S\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his/her personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

Unless otherwise determined by the Board and specified in the offer letter, there is no performance target that has to be achieved before the exercise of any option.

(viii) Exercise price for Shares

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing

price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date, and (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day ("**Offer Date**"). For the purpose of calculating the exercise price, where an option is to be granted fewer than five Business Days after the listing of the Shares on the Stock Exchange, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing.

(ix) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and the Articles of Association for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue (the "**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) Restrictions on the time of grant of options

No option shall be granted after a development of or a matter constituting inside information has been the subject of a decision of our Group until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for our Company to publish an announcement of the results for any year or half-year, quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by our Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme (the "**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his/her death, including the termination of his/her employment on one or more of the grounds specified in (xxii)(e), the option granted to such grantee shall lapse on the date of cessation (to the extent not already exercised) and shall not be exercisable unless the Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the absolute discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his/her cessation to be an employee of our Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxii)(e) which would be a ground for termination of his/her employment or engagement arises, the option may be exercised in full or in part up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised) by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as the Board may at its absolute discretion determine from the date of death.

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share repurchase offer, other than by way of scheme of arrangement or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, a grantee (or his/her personal representative(s)) shall be entitled to exercise his/her/its option in full (to the extent which has become exercisable on the date of the notice of the offer and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xv) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his/her/its options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, which shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of the company available in liquidation.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between our Company and our creditors

In the event of a compromise or arrangement between our Company and our Shareholders and/or creditors in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a compromise or arrangement, and thereupon each grantee (or his/her personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the exercise price in respect of the relevant option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation issue, rights issue, consolidation or subdivision of our Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Company shall make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the exercise price; and/or

- (3) the maximum number of Shares referred to in sub-paragraphs (iii) and (iv) above provided that:
 - (aa) no such alteration shall be made in respect of an issue of Shares or other securities by our Company as consideration in a transaction;
 - (bb) any such alterations shall give a grantee the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled;
 - (cc) no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and
 - (dd) any such alterations shall be confirmed by an independent financial adviser or the auditors in writing to the Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-paragraphs (bb) and (cc) above.

(xix) Cancellation of options

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by our Shareholders.

(xx) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme and the Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxii) *Lapse of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xx));
- (b) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;
- (c) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his/her/its creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant subsidiary or the board of the relevant associated company of our Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his/her/its employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with our Company, the relevant subsidiary or the relevant associated company of our Company (as the case may be);
- (f) the date of the commencement of the winding-up of our Company referred to in sub-paragraph (xv);
- (g) the date on which the grantee commits a breach of sub-paragraph (xxi); or
- (h) the date on which the option is cancelled by the Board as set out in sub-paragraph (xix).

(xxiii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be altered in any respect to the extent allowed by the Listing Rules by resolution of the Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting:
 - (aa) any changes to the definitions of Eligible Participant, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options (whereby such grantee and his/her/its associates shall abstain from voting in the general meeting);
 - (cc) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any changes to the terms of options granted; and
 - (ee) any changes to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (a) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (b) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of grantees as would be required of our Shareholders under the Articles for the time being of our Company for a variation of the rights attached to the Shares.
- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) Conditions

The Share Option Scheme is conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the exercise of any options under the Share Option Scheme;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and adopted by the sole Shareholder on 20 December 2018.

(ii) Approval of the Stock Exchange required

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to 10% of the total number of Shares in issue as at the Listing Date.

(iii) Application for listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 100,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (assuming the Over-allotment Option is not exercised) unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit mentioned above.

(iv) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) (being the material contract (b) referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in this appendix) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to the sponsor’s fee in the amount of HK\$5,000,000.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$52,000 and are payable by our Company.

5. Promoter

- (a) Our Company has no promoter for the purpose of the Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualifications
Vinco Capital Limited	licensed corporation holding a licence to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chooi & Company + Cheang & Ariff	Legal advisers as to Malaysia laws
Morgan Lewis Stamford LLC	Legal advisers as to Singapore laws
Morgan, Lewis & Bockius LLP	Legal adviser as to International Sanction laws
Savills Valuation and Professional Services (S) Pte Ltd	Independent property valuer
Savills (Malaysia) Sdn Bhd	Independent property valuer
Ipsos Pte. Ltd.	Independent market research expert
RSM Tax Consultants (Malaysia) Sdn Bhd	Tax consultant as to Malaysia tax
RSM Tax Pte Ltd	Tax consultant as to Singapore tax

7. Consents of experts

Each of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the CWUMPO so far as applicable.

9. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	SWL Limited
Place of incorporation:	the BVI
Date of incorporation:	28 March 2018
Registered office:	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands
Number of Sale Shares to be sold:	50,000,000 Shares

The Selling Shareholder is engaged in investment holding and is owned as to 24.5% by Mdm. Han, 24.5% by Ms. Sandy Lim, 24.5% by Mr. Winston Lim, 24.5% by Mr. Lawrence Lim, 1.0% by Mr. James Loo and 1.0% by Ms. Jillian Ong.

10. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar, Estera Trust (Cayman) Limited, and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
- (iv) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (d) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (e) our Company has no outstanding convertible debt securities;
- (f) our Directors confirm that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of our Company;
- (g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2018 (being the date to which the latest audited combined financial statements of our Group were made up);
- (h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (c) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (d) a copy of statement of adjustments relating to the accountants’ report set out in Appendix I to this prospectus prepared by Deloitte Touche Tohmatsu; and
- (e) a copy of the statement of particulars of the Selling Shareholder (including its name, description and address).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co., at 19th Floor, Prosperity Tower, No. 39 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report on financial information of our Group for the three years ended 31 December 2017 and the six months ended 30 June 2018 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) the audited financial statements of TSS and its subsidiaries for each of the two financial years immediately preceding the issue of this prospectus;
- (d) the report on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of values and valuation certificates relating to the property interests of our Group jointly prepared by Savills Valuation and Professional Services (S) Pte Ltd and Savills (Malaysia) Sdn Bhd, the text of which is set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the rules of the Share Option Scheme;

- (i) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (k) the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about Directors, management, staff and experts – 3. Particulars of service agreements” in Appendix V to this prospectus;
- (l) the industry report prepared by Ipsos Pte. Ltd. referred to in the section headed “Industry overview” of this prospectus;
- (m) the statement of particulars of the Selling Shareholder (including its name, description and address);
- (n) the Singapore tax opinion prepared by RSM Tax Pte Ltd; and
- (o) the Malaysia tax opinion prepared by RSM Tax Consultants (Malaysia) Sdn Bhd.