



MultiChem
The Hole Solution Provider



DRIVING NEXT-GEN SECURITY

ANNUAL REPORT 2018

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THE MULTI-CHEM GROUP'S BUSINESS

Multi-Chem, through the M.Tech Group, has been engaged in the distribution of IT products since 2002. The M.Tech Group is a leading regional cyber security, and network performance products value added distributor, carrying best-of-breed products from industry leading vendors and with a presence in 28 cities in 15 countries.

Multi-Chem has been engaged as a value added supplier to PCB manufacturers for close to three decades. In addition to being a service provider to PCB manufacturers, the Company is also in the complementary business of distribution of PCB specialty chemicals and related materials.

DEFINITIONS

In this Annual Report, the following definitions apply throughout where the context so admits:

“Group”	The Company and its subsidiaries
“Multi-Chem” or “Company”	Multi-Chem Limited
“M.Tech”	One or more of the M.Tech / M-Security / E-Secure companies
“E-Secure”	One or more of the E-Secure companies

SUBSIDIARIES

“E-Secure Malaysia”	E Fortify Asia Sdn. Bhd.
“E-Secure Singapore”	E-Secure Asia Pte. Ltd.
“E-Secure Thailand”	E-Secure Asia Co., Ltd.
“M.SaaS Solutions”	M.SaaS Solutions Pte. Ltd.
“M.Tech Australia”	M.Tech Products Aust Pty Limited
“M.Tech Holdings”	M.Tech Holdings Pte. Ltd.
“M.Tech Hong Kong”	M.Tech Products (HK) Pte Limited
“M.Tech India”	M.Tech Solutions (India) Private Limited
“M.Tech Indochina”	M-Security Technology Indochina Pte. Ltd.
“M.Tech Indonesia”	PT. M.Tech Products
“M.Tech Japan”	M.Tech Products Japan Kabushiki Kaisha
“M.Tech Korea”	M.Tech Products Korea Limited Liability Company
“M.Tech Malaysia”	M-Security Technology Sdn. Bhd.
“M.Tech Myanmar”	M.Tech Products Myanmar Ltd.
“M.Tech New Zealand”	M.Tech Products New Zealand Limited
“M.Tech Philippines”	M.Tech Products Philippines, Inc.
“M.Tech Shanghai”	M.Tech (Shanghai) Co., Ltd.
“M.Tech Singapore”	M.Tech Products Pte Ltd
“M.Tech Taiwan”	M.Tech Products TW Pte. Ltd.
“M.Tech Thailand”	M-Solutions Technology (Thailand) Co., Ltd.
“M.Tech UK”	M.Tech Products (UK) Pte Ltd
“M.Tech Vietnam”	M-Security Technology Vietnam Company Limited
“M-Security Philippines”	M-Security Tech Philippines Inc.
“Multi-Chem Kunshan”	Multi-Chem Electronics (Kunshan) Co., Ltd
“Multi-Chem Laser”	Multi-Chem Laser Technology (Suzhou) Co., Ltd.
“Multi-Chem PCB Kunshan”	Multi-Chem PCB (Kunshan) Co., Ltd.
“SecureOneAsia”	SecureOneAsia Pte. Ltd.
“SecureOne India”	SecureOne India Holding Pte. Ltd.

OTHER TERMS

“ARMC”	Audit and Risk Management Committee
“Board”	Board of Directors
“CNC”	Computer numeric controlled
“FY”	Financial year
“IT”	Information technology
“M”	Million
“NC”	Nominating Committee
“PAT”	Profit after tax
“PBT”	Profit before tax
“PCB”	Printed circuit board
“RC”	Remuneration Committee
“WAN”	Wide area network

CORPORATE
PROFILE

Multi-Chem is a specialist drilling service provider and also a distributor of specialty chemicals and materials to PCB manufacturers. Incorporated in 1985, Multi-Chem was listed on SESDAQ in January 2000 and upgraded to the Main Board of The Singapore Exchange in November 2000. In May 2002, we diversified into the business of IT distribution.

Already established in South East Asia, we expanded to Suzhou, China in 2002, and Kunshan, China in 2006. Besides doing mechanical drilling, we also commenced the provision of laser drilling services in China. Laser drilling complements our strengths in mechanical drilling and allows us to drill microvia of sizes not achievable by mechanical drilling.

In May 2002, we diversified into the business of IT distribution where we focus on best-of-breed cyber security, WAN optimisation, and network management products from industry leading vendors.

Through Multi-Chem's subsidiaries under the M.Tech umbrella, our IT business has

expanded in both product range and geographical coverage since inception and now spans Singapore, Australia, China (including Hong Kong), India, Indonesia, Japan, Korea, Malaysia, Myanmar, New Zealand, Philippines, Taiwan, Thailand, United Kingdom and Vietnam.

We started IT training business in Singapore in late second quarter of 2004 to complement the IT distribution business. We are currently authorised to conduct training for Allot, Symantec and Check Point courses.

Today, the Group comprises the Company, 28 subsidiaries, 2 representative offices, 4 branches and 9 offices, with a staff strength of about 700.

CORPORATE DATA

› Board of Directors

Lim Keng Jin *Chairman*
Foo Suan Sai *CEO*
Han Juat Hoon
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen
Foo Fang Yong

› Company Secretary

Chan Lai Yin

› Audit and Risk Management Committee

Neo Mok Choon *Chairman*
Lim Keng Jin
Foo Maw Shen
Wong Meng Yeng

› Nominating Committee

Wong Meng Yeng *Chairman*
Foo Suan Sai
Lim Keng Jin
Foo Maw Shen
Neo Mok Choon

› Remuneration Committee

Lim Keng Jin *Chairman*
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen

› Registered Office

16H Enterprise Road
Singapore 627657
Tel: (65) 6863 1318
Fax: (65) 6863 1618

› Share Registrar

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

› Share Listing

The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2000

› Independent Auditor

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-charge: Leong Hon Mun Peter
Appointment since the financial year ended 31 December 2018

› Internal Auditor

Yang Lee & Associates
10 Anson Road #31-03
International Plaza
Singapore 079903

› Principal Bankers

Citibank N.A.
DBS Bank Ltd
HSBC Limited
United Overseas Bank Limited
Australia and New Zealand Banking Group Limited (ANZ)
Sumitomo Mitsui Banking Corporation, Singapore Branch

› IR Contact

16H Enterprise Road
Singapore 627657
Tel: (65) 6863 1318
Fax: (65) 6863 1618
E-mail: irmultichem@multichem.com.sg

› General

For further information about Multi-Chem, please contact the secretariat at the registered office

E-mail:
salesmultichem@multichem.com.sg
sales@mtechpro.com

Websites:
<http://www.multichem.com.sg>
<http://www.mtechpro.com>

BOARD OF DIRECTORS



› Lim Keng Jin

Chairman, Independent Director, Chairman of RC, Member of ARMC and NC

Mr Lim was appointed as a Director of the Company in April 2005. He was a Fellow of the Institute of Chartered Accountants of England and Wales, and had worked as an auditor and accountant before he moved out into the stock brokering industry. He was a Director of a local stock brokering company, and retired from it when that company was sold. Today Mr Lim is working as a Dealer Representative.



› Foo Suan Sai

Chief Executive Officer and Member of NC

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 30 years of experience in the PCB industry, of which the last 30 years were spent building up the Company. Mr Foo is currently responsible for the overall direction and development of the Group. He holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.



› Han Juat Hoon

Chief Operating Officer

Mdm Han is a founding shareholder of Multi-Chem. She has been a Director of the Company since 1987 and commenced working in an executive capacity with the Company in 1992. Mdm Han is well versed in factory operations, having held the appointment of factory manager with a chemical company for 12 years from 1980 to 1992. She is responsible for the overall operations of the Group. Mdm Han holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.



› Wong Meng Yeng

Independent Director, Chairman of NC, Member of ARMC and RC

Mr Wong was appointed as a Director in January 2000. He has been an advocate and solicitor in Singapore for 35 years, with the past 29 years spent as a corporate lawyer. He holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is currently a director in Alliance LLC, a law corporation he co-founded.

BOARD OF DIRECTORS

► Neo Mok Choon

Independent Director, Chairman of ARMC, Member of NC and RC

Mr Neo was appointed as a Director in August 2012. He has more than 20 years of experience in the PCB industry. He holds a Bachelor of Engineering (Chemical) degree from the National University of Singapore and was Vice President (Operations, Asia Pacific) of Bredero Shaw (Singapore) Pte Ltd.



► Foo Maw Shen

Independent Director, Member of ARMC, NC and RC

Mr Foo was appointed as a Director in July 2014. He has over 25 years of extensive experience in commercial litigation, with particular emphasis on restructuring, insolvency litigation, shareholders' disputes, commercial fraud, trust laws and international trade disputes. He is currently a senior partner in Dentons Rodyk & Davidson LLP's Litigation & Arbitration Practice Group and is actively involved in the firm's China Practice.



► Foo Fang Yong

Executive Director, General Manager

Mr Foo was appointed as a Director in May 2015. Mr Foo joined the Company's subsidiary, M.Tech Products Ptd Ltd in Year 2011 as an I-Security Engineer after completing his Honours Degree in Bachelor of Engineering (Computer Engineering) from National University of Singapore. He subsequently moved to the position of Product Manager in May 2012. At the same time, he attained RSA SecurID Certified Systems Engineer in Year 2011 and Blue Coat Certified ProxySG Professional, Sourcefire Certified Expert (SFCE) v5 and Riverbed Certified Solutions Professional WAN Optimization in Year 2012.



MANAGEMENT TEAM



› Koh Henry

Senior Manager, Operations

Mr Koh joined the Company as a Service Engineer in May 2000 after completing his university education. He was promoted from QA & Process Manager to Senior Manager (Operations) in November 2005. He currently oversees the operation in the Manufacturing Services Division, which include quality assurance and production. From 1996 to 1997, he worked as an assistant engineer in Hitachi Chemical Asia Pacific Pte Ltd. He holds a Bachelor's degree in Mechanical & Production Engineering from the Nanyang Technological University.



› Pui Boon Tiong Eugene

Regional Director

Mr Pui worked as an engineer with local PCB manufacturers, Motorola Electronics Pte Ltd and WUS Printed Circuits Pte Ltd prior to joining the Company in December 1999. He worked his way up in Multi-Chem from Assistant Production Manager to Operations Manager before being named Regional Director. He currently oversees business development for various countries within IT business.



› Lim Kok Soon Rayson

Chief Financial Officer

Mr Lim has been with the Company since March 2002, where he joined as an accountant and was promoted to Financial Controller and subsequently Chief Financial Officer, a position he currently holds. He is in-charge of the Group's financial reporting, finance and tax functions and works closely with internal and external auditors, tax agent and the bankers in performing his role.

MANAGEMENT TEAM

> Yang Wen Kuai

Senior Manager, Business - China Operations

Mr Yang has been with the Company since August 2001. He worked in Multi-Chem for 2 months before being posted to Multi-Chem Suzhou as sales manager and he is based there for the last 17 years. He currently oversees the marketing and business development of the Group's operations in China. Before joining the Company, Mr Yang has 8 years of sales experience in the automotive industry in Taiwan.



> Goh Tian Keong Winston

Regional Director of Greater China and Korea

Mr Goh has been responsible for the IT business development of M.Tech business in Greater China for the past 14 years. He was promoted to Regional Director of Greater China and Korea and is responsible for the IT business development in Greater China, Taiwan and Korea. Prior to joining Multi-Chem in Year 2004, he worked in various IT companies for 6 years. He started as Senior Network Specialist and progressed to Senior Business Development Manager.



LETTER TO SHAREHOLDERS



Revenue \$431M in 2018 4% growth from 2017. As at 31 December 2018, the Group has 18 laser machines and 29 CNC drilling machines.

Setting up of M.Tech Bursary to nurture the financially disadvantaged undergraduates.

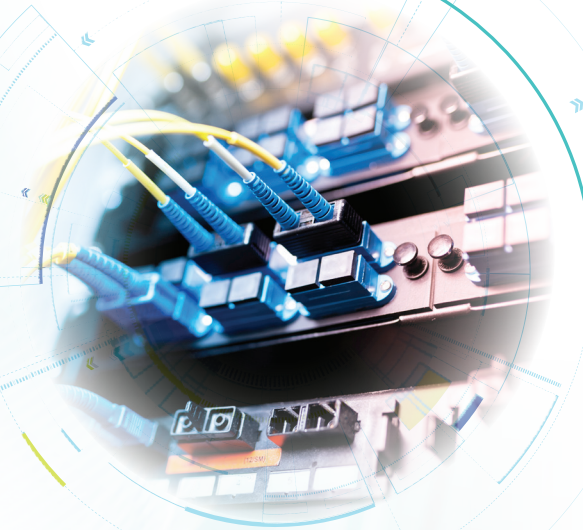
Foo Suan Sai
Chief Executive Officer

The Group's revenue achieved new heights in year 2018. Total revenue was \$431M, an increase of \$15M, as compared to \$416M in year 2017. The improvement in the Group's performance was mainly due to the continued expansion of the Group's IT arm, the increase in spending by corporations on cyber security products in the year 2018.

The Group's Financial Performance

The Group recorded revenue of \$431M in 2018, which was 4% more than \$416M achieved in 2017. The increase in Group's revenue for the year was mainly due to the positive contributions from IT business, which accounted for about 98% of Group's revenue in 2018.

Revenue from the PCB business accounted for approximately 2% of Group's revenue in 2018. The PCB business decreased by 52% as compared to 2017, primarily due to the significantly reduced production capacity, following the disposal of 103 CNC drilling machines in China on 21 March 2017 and lower demand from customers.



LETTER TO SHAREHOLDERS



As of 31 December 2018, the Group had 18 laser machines and 29 CNC drilling machines: 16 laser machines and 22 CNC drilling machines are located in the city of Kunshan, China; and 2 laser machines and 7 CNC drilling machines are located in Singapore.

The Group's PCB manufacturing service business is therefore mainly derived from its China operations. Contribution from this manufacturing division is expected to be further reduced in the year 2019.

Comparing revenue by geographical segments, 39% of the Group's revenue in 2018 was derived from Singapore, an increase from 38% in 2017. Of the remaining 61%, Australia accounted for 12%, Greater China accounted for 11% and the rest of the regions accounted for the remaining 38%.

The Group recorded a profit before tax of \$11.9M in 2018 compared to \$15.7M in 2017, a decrease of 24%. On an after-tax basis, the Group recorded a profit of \$6.7M in 2018 as compared to \$11.8M in 2017. On a weighted average basis, the Group's earnings per share decreased from 12.17 cents in 2017 to 6.18 cents in 2018. The reduction in profit is mainly due to a one-time gain of \$3.7M from the disposal of plant and equipment in year 2017.

Financial Position

As of 31 December 2018, the net working capital of the Group stood at \$92M, compared to \$94M as at 31 December 2017. This included cash and bank balances of \$57M. Shareholders' funds and net asset value per share stood at approximately \$109M and 111 cents respectively as at 31 December 2018.



As of 31 December 2018, the
net working capital of the
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\$92M,
compared to
\$94M
as at 31 December 2017.

LETTER TO SHAREHOLDERS



Net working capital is \$92M as at 31 December 2018. The Group recorded a profit before tax of \$11.9M in 2018.

Lim Keng Jin
Group Chairman

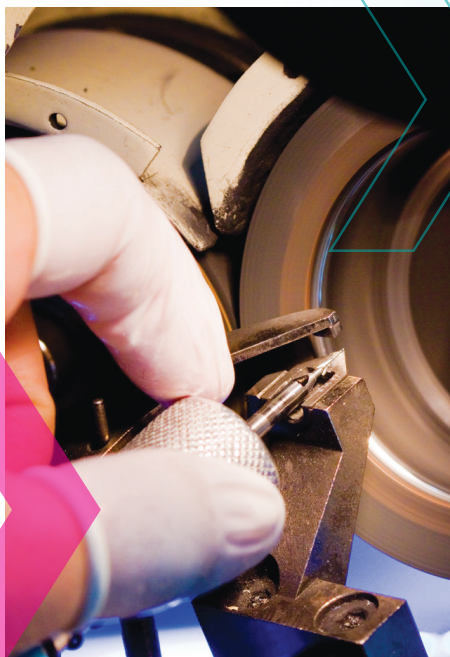
The Directors are pleased to recommend a final tax exempt (1-tier) dividend of 3.30 cents (Singapore) per ordinary share for 2018.

Business Outlook

The IT business was the Group's main business in 2018, accounting for 98% of the Group's revenue. This business commenced in 2002 and is marketed under the M.Tech brand. We expect the IT business to remain the Group's main business in the near future as corporations and policy makers increasingly recognize the need to strengthen their internet security infrastructure. An article published on the Gartner website on 18 August 2018 stated that spending on IT security was poised to grow 8.7% in year 2019. We are optimistic that this will augur well for the Group, given our wide geographical coverage and strategy of promoting cutting edge IT products.



LETTER TO SHAREHOLDERS



by the Group, the Group is also authorized to provide certified IT training courses for Allot, Symantec and Check Point.

The Group has a presence in 30 cities in 15 countries in Asia Pacific Region and Europe. The M.Tech regional offices are expected to contribute positively to the Group's business in 2019.

Sustainability Matters

We reaffirm our commitment to sustainability with the publication of our sustainability report guided by the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to SGX-ST listing rule 711 (A) and 711 (B). For this sustainability report, we continue to provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors and economic performance.



The Group will continue to focus on growing the IT business. Economic and political conditions are still key factors in determining the level of IT spending. The IT business contributed \$425M of Group's revenue in 2018 and this business is expected to deliver more in 2019.

The Group will continue to focus on the distribution of only the top names in IT security products, and will continue to look for suitable products to add to its range.

While IT security continues to be the main focus of M.Tech, the Group also carries complementary products in the areas of WAN optimization and network management. It will continue to rationalize and be selective of its existing IT product range. Besides the IT products distributed

The IT business contributed
\$425M
of Group's revenue in 2018 and
this business is expected to
deliver more in 2019.

LETTER TO SHAREHOLDERS



During FY2018, as part of our initiative to advance social cause and help our community, we set up the M.Tech Bursary at the Singapore Institute of Technology (SIT) to nurture financially disadvantaged and deserving undergraduates who are pursuing a full-time degree programme in Information and Communication Technology.

Appreciation

On behalf of the Board of Directors, we wish to thank the staff and management of the Group for their commitment and dedication during the past years. Special thanks go to the colleagues on the Board for their strong support and positive contribution. We would also like to express our sincere appreciation to our shareholders, suppliers, customers and business partners for their invaluable support.

We aspire to the Group achieving greater heights in 2019.

Lim Keng Jin
Group Chairman

Foo Suan Sai
Chief Executive Officer

SUSTAINABILITY REPORT

1. Board's statement

We reaffirm our commitment to sustainability with the publication of our second sustainability report ("Report"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been put in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

2. Reporting framework

In preparing this Report, we are guided by the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to SGX-ST listing rule 711 (A) and 711 (B). We have chosen to report using GRI standards: Core option as it is an internationally recognized reporting framework.

3. Reporting period and scope

This reporting period is for our Group's financial year ("FY") ended 31 December 2018 ("FY2018") and a report will be published annually in accordance with our SR Policy.

This Report covers the key operating entities within our Group which contributed approximately 85% (FY2017: 84%) of the total revenue for the reporting period.

4. Feedback

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: irmultichem@multichem.com.sg.

5. Stakeholder engagement

Our efforts on sustainability is focused on creating sustainable value for its key stakeholders, which comprise communities, customers, employees, regulators, shareholders and vendors. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of our Group.

SUSTAINABILITY REPORT

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Community	We focus on continuous community engagement and has initiated various campaigns to help the communities.
2	Customer	Communications with customers are made through via various channels such as meetings, events, email communications, phone calls and teleconferences.
3	Employee	Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and half-yearly staff evaluation sessions where employees can pose questions in person.
4	Regulator	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/ bodies so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that impact the company's business.
5	Shareholder	We convey timely, full and credible information to shareholders through announcement on SGXNET, Company's website (http://www.multichem.com.sg), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
6	Vendor	We maintain good relationship with vendors by establishing various communication platform for all levels of personnel involved in each product, such as emails, meetings, events and regular vendor conferences. This serves to gain competitive advantage in areas such as information on vendor's strategic directions, new product launches and marketing focus.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

6. Policy, practice and performance reporting

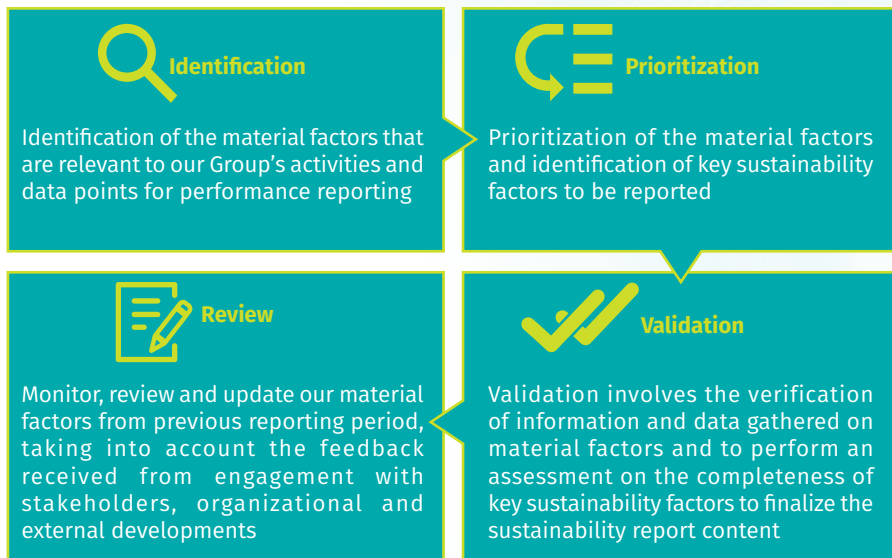
6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. Our Group's Sustainability Committee, which includes senior management executives, is led by the our Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), and tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

SUSTAINABILITY REPORT

6.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end results of this process is a list of material factors disclosed in this Report. Inter-relations of which are as shown in the chart below:



6.3 Materiality assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority should be reported on in detail.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. It may be decided to not include them in the Report if not material.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. It may be decided to not include them in the Report if not material.

The reporting priority is supported by a materiality factor matrix which considers the level of concern to external stakeholders and potential impact on business.

SUSTAINABILITY REPORT

7 Material factors

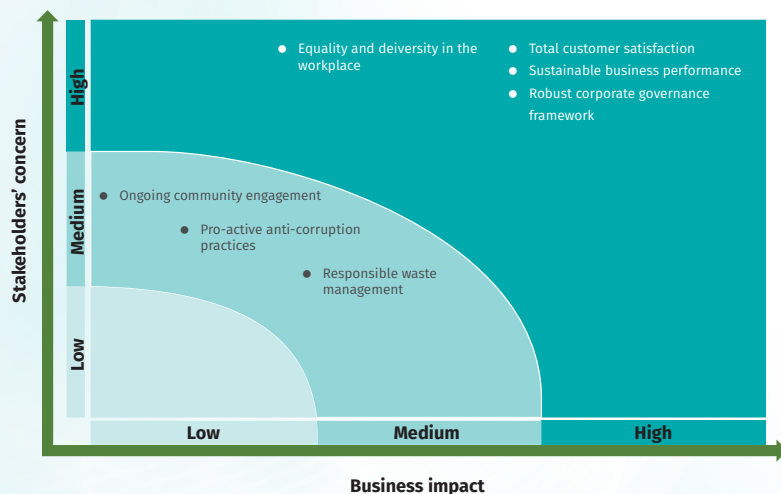
Our materiality assessment performed for FY2018 involved our Senior Management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below are a list of key sustainability factors applicable to our Group:

[List of material sustainability factors](#)

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Total customer satisfaction	Customer, vendor	I
Social			
2	Equality and diversity in the workplace	Employee	I
3	Ongoing community engagement	Community	II
Environmental			
4	Responsible waste management	Community, shareholder	II
Economic			
5	Sustainable business performance	Shareholder	I
6	Proactive anti-corruption practices	Shareholder, regulator	II
Governance			
7	Robust corporate governance framework	Shareholder	I

[Material factor matrix](#)



SUSTAINABILITY REPORT

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each key sustainability factor are presented as follows:

7.1 Total customer satisfaction

Our strategies towards customer satisfaction are as follows:

Offer an extensive and comprehensive product range that meets market's needs

As at 31 December 2018, we offered more than 50 product brands. We believe that a comprehensive product range on offer is crucial in achieving customer satisfaction so that they can better select products that meet their need. To ensure we continue to distribute a comprehensive range of products, we have to identify new synergistic products and maintain a robust relationship with our vendors through the following:

- Meet sales targets set by the vendors
- Support the vendors in achieving their strategic plans
- Establish a strong and effective communication channel with them at different staff level

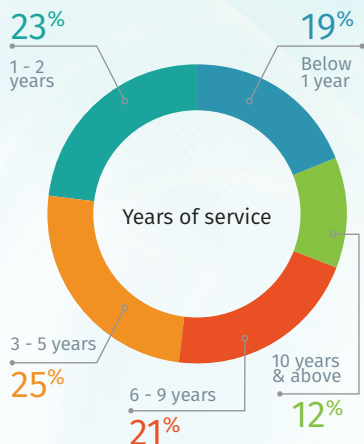
Key brands under distribution



Maintain presence and proximity to whom we serve

Over the years, we have established a network of 30 offices in 15 countries to provide on-site sales, marketing as well as technical support to our reseller partners. This geographical spread brings us close to the markets we serve and more importantly, to our clients.

SUSTAINABILITY REPORT



Nurture a team of highly trained and experienced employees

We have a regional team of certified pre and post sales engineers to support the technical needs of the products that we distribute. Each regional team is led by a senior engineer with extensive years of field experience and each individual engineer is trained, certified and qualified to install, implement and support the assigned products. We believe that having a strong technical team is critical in our role in supporting customers for the products we carry.

As at 31 December 2018, approximately 58% (as at 31 December 2017: 54%) of the employees have more than 3 years of service in IT business.

7.2 Equality and diversity in the workplace

Human resource is the key asset of our Group. A diversified workforce supports business sustainability by offering differing, fresh, perspectives and ideas for the operations and growth whilst an equal opportunity work environment supports business sustainability by creating a level platform for employees to excel and showcase their potential in contributing to our Group. We are committed to the goals of diversity and equal opportunity in employment.

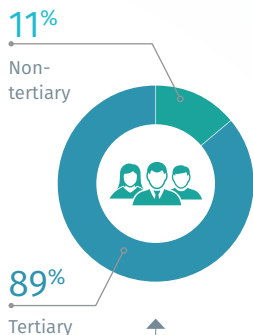
The total number of full-time employees in IT Business as at 31 December 2018 is 516 (as at 31 December 2017: 490). To promote diversity and equal opportunity, we have put in place the following policies:

- A human resource policy to select employees based on merit and competency
- A policy on fair employment practices to re-inforce commitment to diversity and equality in the workplace
- A sexual harassment policy to ensure every employee has the right to work in an environment free from all forms of discrimination and conduct which can be considered harassing, coercive and disruptive
- Employees are evaluated on half-yearly basis and rewards are linked directly to their performance
- Promising employees are given the opportunity to work for a period in our overseas subsidiaries to further enhance their experience
- Long service award are given out to our valuable employees with continuous employment record regardless their race, age, gender, sexuality, disability or culture

To encourage the hiring of new talents, we have established partnerships with universities or polytechnics in Singapore to offer students practical work experience. As at 31 December 2018, we employed 1 student (as at 31 December 2017: 2 students) under the partnerships established with various universities and polytechnics.

SUSTAINABILITY REPORT

Educational Background Diversity



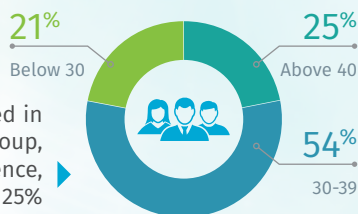
Our employees are from different educational background and we seek to create an inclusive environment for them. Due to the nature of our business, our workforce is predominantly tertiary educated, with such employees contributing 89% (as at 31 December 2017: 86%) of our total workforce as at 31 December 2018.

Gender Diversity



On gender diversity, we have one (as at 31 December 2017: one) female Board member and as at 31 December 2018, the percentage of male/female employees is 59%/41% (as at 31 December 2017: 57% / 43%) respectively.

Age Diversity



Number of
employees
covered under this report
= 516

Compare to other industries, workers engaged in the IT industry tend to be younger. In our Group, matured workers are valued for their experience, knowledge and skills. As at 31 December 2018, 25% (as at 31 December 2017: 22%) of our workforce were at least 40 years old.

SUSTAINABILITY REPORT

7.3 Ongoing community engagement

We strive to set a good example and encourage individuals and other corporates to embrace the spirit of giving as we recognise that the long-term success of our business is closely related with the health and prosperity of the community which we operate in. During the reporting period, we engaged in various initiatives to help the communities as follows:

Nurture financially challenged but deserving undergraduates

Arising from a collaboration with Singapore Institute of Technology ("SIT"), we contributed SGD 67,000 to SIT to establish a bursary for financially challenged but deserving undergraduates. We target to benefit 6 undergraduates from this program over the next five years.



In addition to the above bursary, we provided financial relief of SGD 10,000 to two undergraduates of SIT for their school fees during the reporting period.

The above initiatives are our way of supporting the academic and personal growth of deserving and needy individuals from our community.



Provide charitable contributions to support worthy causes

We continuously seek opportunities to impact communities positively through meaningful charitable initiatives. During the reporting period, we donated over SGD 70,000 to charities such as Metta Welfare Association, SingTel Touching Lives Fund, Singapore Power Heartware Fund and Lee Hsien Loong Cup Charity Golf Tournament.

As a responsible corporate citizen, we are committed to give back to our community and to help our beneficiaries in attaining a more positive and fruitful life journey.

7.4 Responsible waste management

We believe that environmental preservation through efficient waste management such as reuse and recycling allows us to operate in a conducive and sustainable environment. It also helps us in achieving both short and long term cost savings which enhances returns to our shareholders. Our key initiatives on this front are as follows:

Moving towards a paperless working environment

We constantly enhance our operating systems to move towards a paperless working environment. Such enhancements include the deployment of an integrated business system to minimise usage of transit documents, whereby forms are signed using electronic signatures and electronic version of sales and purchasing related documents are issued.

SUSTAINABILITY REPORT

Proper waste management and disposal

We recognize that technological equipment such as those distributed by our Group often contains components such as plastics and heavy metals, which cannot be simply discarded. Proper disposal of equipment is both environmentally responsible and often required by law. In FY2018, 100% (FY2017: 100%) of our Group's disposal of technological equipment was handled by licensed waste collectors.

7.5 Sustainable business performance

We believe in creating long-term economic value for shareholders by striking a balance between rewarding shareholders by way of consistent profits, dividend payments and maintaining a robust balance sheet with strong operating cash flows.

In FY2018, we recorded revenue of SGD 431 million (FY2017: SGD 416 million) and profit for the financial year of SGD 6.7 million (FY2017: SGD 11.8 million). For FY2018, aggregate tax-exempt 1-tier dividends of 4.41 cents (FY2017: 5.51 cents) per share were declared to reward our shareholders for their continual support.

In FY2018, we used SGD 3.9 million (FY2017: generated SGD 12 million) of net cash flow from operating activities with a cash and cash equivalent balance of SGD 50 million (FY2017: SGD 57 million) as per our consolidated statement of cash flows.

Details of our economic performance can be found in the financial contents and audited financial statements of this Annual Report.

7.6 Proactive anti-corruption practices

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the Prevention of Corruption Act of Singapore.

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2018, no serious offence was reported¹ (FY2017: zero).

7.7 Robust corporate governance framework

A high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximizing long term shareholder value.

We have put in place a risk management framework ("ERM framework") to track and manage the risks in which we are exposed. We regularly assess and review our businesses and operational environment to identify and manage emerging and strategic risks that may impact our sustainability.

¹ A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

SUSTAINABILITY REPORT

Our overall Singapore Governance and Transparency Index (“SGTI”) score assessed by National University of Singapore Business School was 63 for the year 2018 (Year 2017: 58).

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

8. Target setting

For our material factors identified, we have set qualitative targets for FY2019 as follows:

S/N	Material factor	Target for FY2019
1	Total customer satisfaction	• Maintain a comprehensive range of products • Maintain a team of highly trained and experienced employees
2	Equality and diversity in the workplace	Move towards a more balanced gender, age and educational diversity ratio
3	Ongoing community development	Initiate various campaigns to help the communities
4	Responsible waste management	Improve waste management through reusing and recycling e-waste
5	Sustainable business performance	Maintain or improve our financial performance subject to market conditions whilst maintaining our dividend payout where practicable
6	Proactive anti-corruption practices	Maintain zero incident of serious offence
7	Robust corporate governance framework	Improve our SGTI score

9 GRI content index

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Definitions	1
102-2	Activities, brands, products, and services	▪ Corporate Profile ▪ Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	2 113 - 120
102-3	Location of headquarters	Corporate Directory	64
102-4	Location of operations	Corporate Directory	64 - 66
102-5	Ownership and legal form	▪ Group Structure ▪ Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	33 113 - 120
102-6	Markets served	Corporate Profile	2

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-7	Scale of the organization	- Sustainability Report > Diversity and Equal Opportunity - Operations Review - Financial Highlights - Financial Review - Corporate Directory - Financial Contents	18 – 19 26 – 27 34 – 38 39 – 44 64 – 66 76 – 83
102-8	Information on employees and other workers	Sustainability Report > Diversity and Equal Opportunity	18 – 19
102-9	Supply chain	- Sustainability Report > Total Customer Satisfaction - Operations Review - Prospects and Future Plan	17 26 – 27 28 – 30
102-10	Significant changes to the organization and its supply chain	None	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	None	–
102-13	Membership of associations	None	–
Strategy			
102-14	Statement from senior decision-maker	- Letter to Shareholders > Sustainability Matters - Sustainability Report > Board's Statement	11 – 12 13
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	- Sustainability Report > Robust Corporate Governance Framework - Corporate Governance Report	21 47 – 63
Governance			
102-18	Governance structure of the organization	Corporate Governance Report	47 – 63
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	13 – 14
102-41	Collective bargaining agreements	Not applicable as we are not a unionised company	–

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	13 – 14
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	13 – 14
Reporting practice			
102-45	Entities included in the consolidated financial statements	▪ Sustainability Report > Reporting Period and Scope ▪ Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	13 113 – 120
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	15
102-47	List of material topics	Sustainability Report > Material Factors	16
102-48	Restatements of information	None	–
102-49	Changes in reporting	None	–
102-50	Reporting period	Sustainability Report > Reporting Period and Scope	13
102-51	Date of most recent report	Annual Report > Sustainability Report FY2017	–
102-52	Reporting cycle	Sustainability Report > Reporting Period and Scope	13
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	13
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	▪ Letter to Shareholders > Sustainability Matters ▪ Sustainability Report > Board's Statement ▪ Sustainability Report > Reporting Framework ▪ Sustainability Report > GRI Content Index	11 – 12 13 13 22 – 25
102-55	GRI content index	Sustainability Report > GRI Content Index	22 – 25
102-56	External assurance	We may seek external assurance in the future	–

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	16
103-2	The management approach and its components	▪ Sustainability Report > Board's Statement ▪ Sustainability Report > Policy, Practice and Performance Reporting	13 14 – 15
		Sustainability Report > Material Factors	16
103-3	Evaluation of management approach	Sustainability Report > Material Factors	16 – 22
Category: Economic			
201-1	Direct economic value generated and distributed	▪ Sustainability Report > Sustainable Business Performance ▪ Operations Review ▪ Financial Highlights ▪ Financial Review ▪ Financial Contents	21 26 – 27 34 – 38 39 – 44 76 – 83
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	21
Category: Environmental			
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Responsible Waste Management	20 – 21
Category: Social			
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	18 – 19
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Ongoing Community Engagement	20

OPERATIONS
REVIEW**IT Business**

The IT sector of the Group under the M.Tech companies has expanded in both product range and geographical coverage since its inception in May 2002.

In FY2018, the Group added more leading products, including Digital Shadows, Badu Networks, InfoExpress, Wedge, NetMotion and Cyberint, to its product suite during the year. Of the products that it carries, the Group is also the sole distributor for several leading products in selected regions.

The Group is selective in taking up new products to remain focused on selling the best-of-breed IT security products and delivering value added services to

major systems integrators and resellers in Singapore and the regions.

The IT Business of the Group currently has a presence in 28 cities in 15 countries and carries internet security products from industry leading vendors.

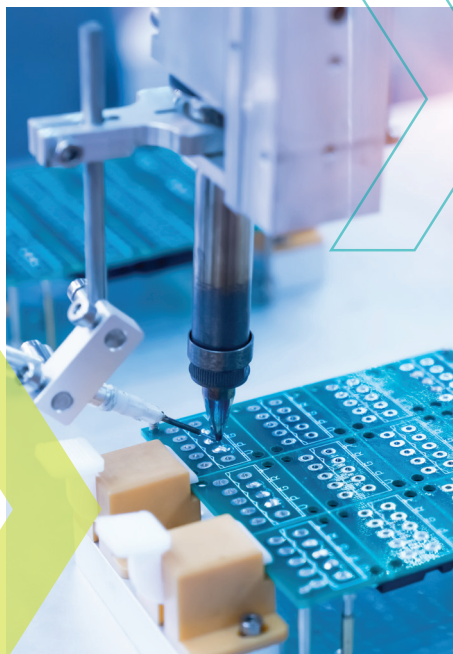
The IT Business of the Group currently has a presence in 28 cities in 15 countries and carries internet security products from industry leading vendors.

OPERATIONS REVIEW

PCB Business

Revenue for PCB Business of the Group decreased from \$14.0M in FY2017 to \$6.7M in FY2018, mainly due to lower demand from customers and significantly reduced production capacity resulting from the disposal of 103 CNC drilling machines in China during year 2017.

Revenue for mechanical drilling service decreased by 73.2% from \$5.6M in FY2017 to \$1.5M in FY2018. With the disposal of 103 CNC drilling machines in China in year 2017, contribution from its mechanical drilling service is expected to reduce in the subsequent years.



As at 31 December 2018,
the Group has

18 laser
drilling machines and
29 CNC
drilling machines

which 17 are capable of drilling at
200,000 rpm and 12 are capable of
drilling at 160,000 rpm.

Laser drilling services decreased by 47.5% from \$6.1M in FY2017 to \$3.2M in FY2018 mainly due to lower demand from customers.

As at 31 December 2018, the Group has 18 laser drilling machines and 29 CNC drilling machines, of which 17 are capable of drilling at 200,000 rpm and 12 are capable of drilling at 160,000 rpm. The higher drilling speeds allow for higher accuracy for drilling smaller holes.

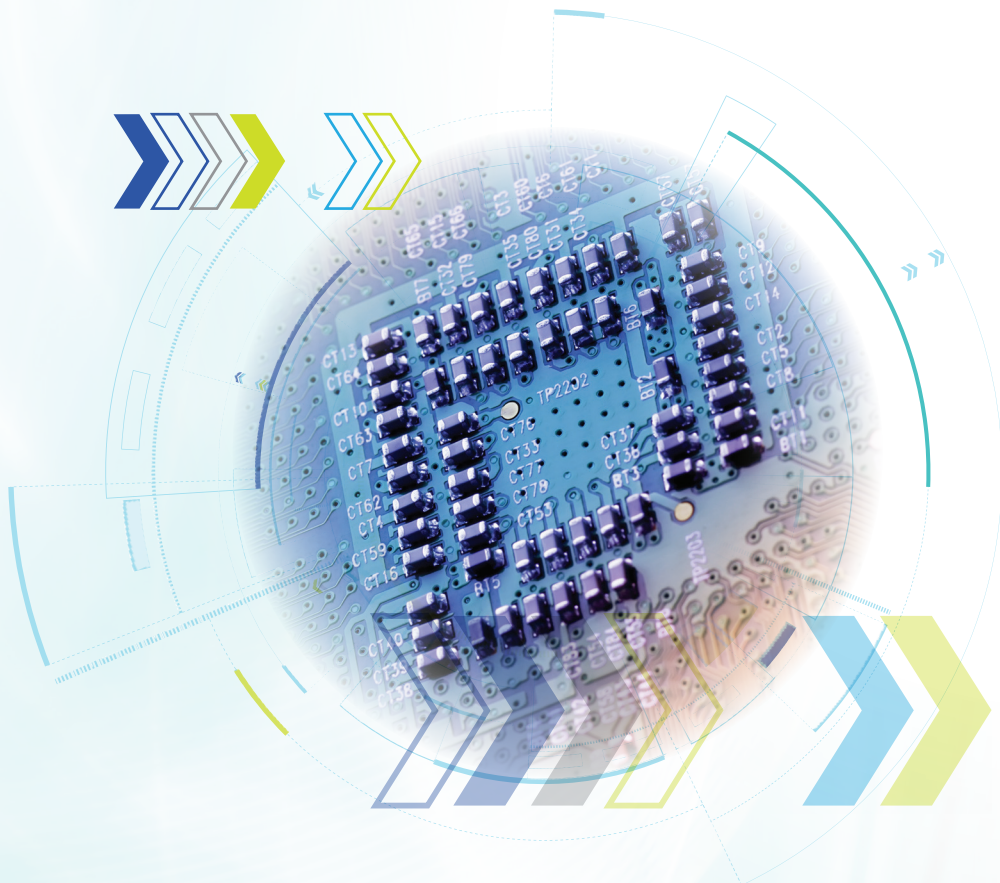
PROSPECTS AND FUTURE PLAN

IT Business

The IT business through Singapore and the regional offices achieved a year-on-year revenue growth of 5.6% on a full year basis.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Symantec, Check Point, Cyberark, Imperva, Riverbed and RSA.

To promote technical competency internally and to train its partners, the Group is able to provide certified IT training through the Education Services Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Allot, Check Point and Symantec courses. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.



PROSPECTS AND FUTURE PLAN

As at 31 December 2018, the Group's IT business has a presence in 28 cities in 15 countries in the Asia Pacific Region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

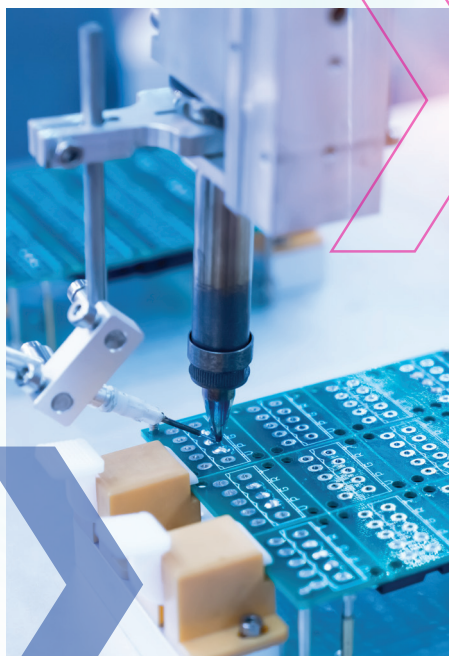
The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. With the recent US-China trade war and partial government shutdown in US, global economic outlook remains uncertain which will in turn affect the Group's business. With the increase in US interest rates, the cost of business is expected to similarly increase. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group as more efforts are put into growing the IT business.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.

PCB Business

Revenue in PCB business decreased by 52.1% or \$7.3M from \$14.0M in year 2017 to \$6.7M in year 2018, mainly due to lower demand from customers and significantly reduced production capacity resulting from the disposal of 103 CNC drilling machines in China during year 2017.

As at 31 December 2018, the Group had 29 mechanical drilling machines and 18 laser drilling machines. The Group will continue to be selective to its customers, rationalise operations, manage headcount and conserve cash.



PROSPECTS AND FUTURE PLAN

Risk Factors

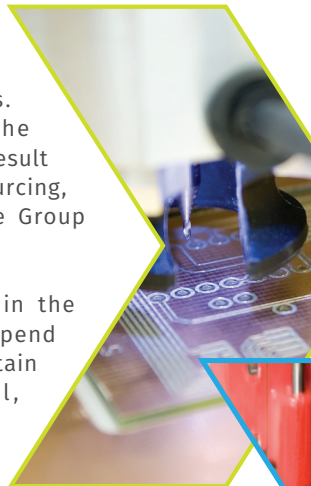
The Group's primary business risk is in its IT business. In the area of IT business, the Group is subject to risk of reliance on a few key vendors, with respect to their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence with respect to the hardware carried. Despite such risks, the Group has taken steps to align with the leading names in the IT arena and as such, there is a good probability that such companies will take steps to ensure that their products maintain the technological edge. The Group monitors its inventories on a quarterly basis and will make allowances where necessary.

The Group is exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Australian dollar, Thailand baht, Malaysian ringgit, Indian rupee, Indonesian rupiah, Taiwan dollar, Hong Kong dollar, Philippines peso, and to a lesser extent, Euro, Korean won, Japanese yen, Vietnam dong, New Zealand dollar and British Pound. The Group may, from time to time, enter into borrowing and foreign currency arrangements to reduce its foreign currency exposure. The Group expects to be exposed to a higher foreign exchange risk with the current volatility of the US dollar against some of the local currencies we collect from the customers.

The Group is also exposed to the political, legal and economic climates of the country in which the Group is operating. Economic and political conditions are still key factors in determining the level of IT spending.

In the area of PCB business, the Group's risk is the exposure to the electronics products sector. Our customers are PCB manufacturers, most of which will be exposed to the cyclical nature of the electronics business. Any downturn in the electronics cycle will result in a cutback in outsourcing, which will impact the Group negatively.

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade receivables closely as collection generally takes longer in China. The Group is tightening the credit assessment on customers for all regions.



SIGNIFICANT EVENTS



1Q

- ➔ M.Tech distributes Citrix in Thailand, Cambodia, Laos and Myanmar.
- ➔ M.Tech distributes InfoExpress in Singapore, Philippines and Vietnam.

2Q

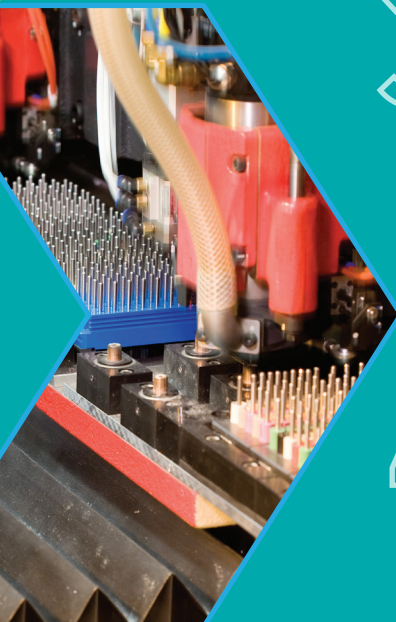
- ➔ M.Tech held Security Exchange 2018.

3Q

- ➔ Multi-Chem's subsidiary Multi-Chem Suzhou completed member's voluntary liquidation process.
- ➔ M.Tech distributes TalariaX in Vietnam.
- ➔ M.Tech distributes Wedge in Indonesia, Philippines and Vietnam.
- ➔ M.Tech distributes NetMotion in Australia and New Zealand.
- ➔ M.Tech distributes Securonix in Hong Kong, Indonesia, Malaysia, Philippines, Singapore and Thailand.
- ➔ M.Tech held M.Pro Golf Challenge 2018.

4Q

- ➔ M.Tech held M.Appreciation Night 2018 in Singapore.
- ➔ M.Tech distributes Cyberint in Singapore.



FINANCIAL CALENDAR

APRIL 2018

26

Annual General Meeting
and announcement of
2018 1st quarter results

AUGUST 2018

02

Announcement of
2018 half year results

OCTOBER 2018

26

Announcement of
2018 3rd quarter results

FEBRUARY 2019

01

Announcement of
2018 full year results

APRIL 2019

29

Annual General Meeting
and announcement of
2019 1st quarter results

JULY 2019

Announcement of
2019 half year results

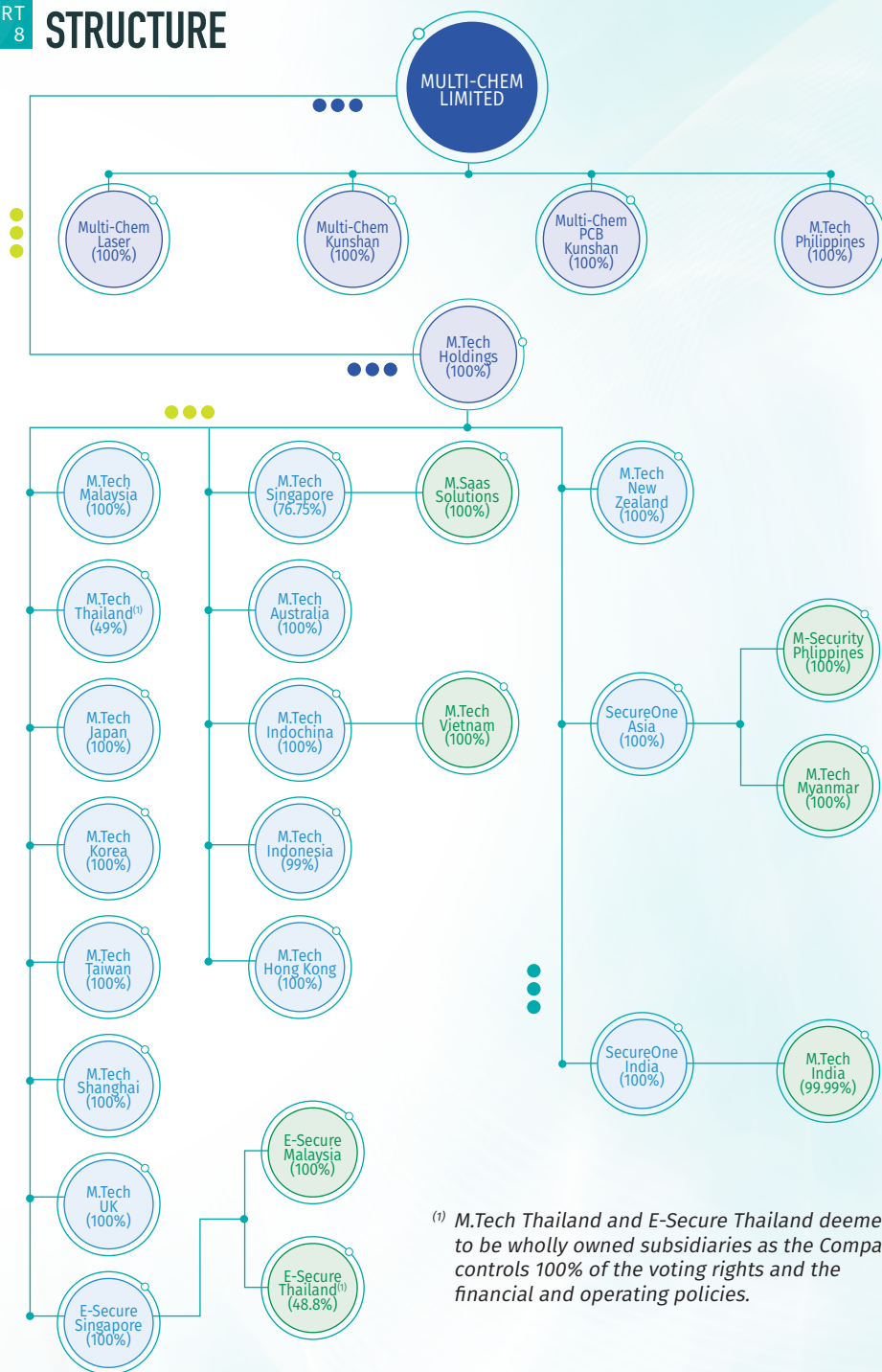
NOVEMBER 2019

Announcement of
2019 3rd quarter results

FEBRUARY 2020

Announcement of
2019 full year results

GROUP STRUCTURE



⁽¹⁾ M.Tech Thailand and E-Secure Thailand deemed to be wholly owned subsidiaries as the Company controls 100% of the voting rights and the financial and operating policies.

FINANCIAL
HIGHLIGHTS

GROUP BALANCE SHEET

As At 31 December (\$'000)	2018	2017	2016	2015	2014
Property, plant and equipment	12,451	10,571	17,431	20,673	23,571
Investment in an associate	-	-	-	-	224
Investment in life insurance plan	4,260	4,092	4,290	4,047	3,647
Other non-current assets	5,077	3,812	3,934	4,383	3,878
Current assets	210,953	211,388	167,726	157,970	157,328
Current liabilities	(119,326)	(117,327)	(85,475)	(86,361)	(93,785)
Net current assets	91,627	94,061	82,251	71,609	63,543
Long term borrowings	(869)	(1,310)	(1,956)	(2,789)	(3,498)
Deferred tax liabilities	(482)	(65)	(4)	-	-
Other non-current liability	(3,190)	(2,296)	(1,380)	(219)	-
	108,874	108,865	104,566	97,704	91,365
Share capital	37,288	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	(465)	500	3,433	4,670	2,249
Other reserves	(123)	347	218	75	(67)
Statutory reserve	3,622	5,345	5,345	5,281	4,919
Retained earnings	59,415	57,308	50,388	43,699	42,137
	99,737	100,788	96,672	91,013	86,526
Non-controlling interest	9,137	8,077	7,894	6,691	4,839
	108,874	108,865	104,566	97,704	91,365

FINANCIAL HIGHLIGHTS

GROUP PROFIT & LOSS

Year Ended (\$'000)	2018	2017	2016	2015	2014
Turnover	431,330	415,951	361,450	347,057	291,664
Gross profit	60,736	60,198	56,663	52,690	45,750
Other income	1,850	5,459	3,427	2,404	3,098
Earnings before interest, tax, depreciation & amortisation (EBITA)	14,600	18,917	19,262	14,306	13,324
Depreciation & amortisation	(2,167)	(2,831)	(4,186)	(4,867)	(5,160)
Interest expense	(541)	(392)	(443)	(648)	(543)
Profit from operations	11,892	15,694	14,633	8,791	7,621
Share of results of an associate	-	-	-	(30)	(250)
Profit before income tax	11,892	15,694	14,633	8,761	7,371
Income tax expense	(5,219)	(3,855)	(3,836)	(2,739)	(1,976)
Net profit	6,673	11,839	10,797	6,022	5,395
Non-controlling interests	(1,108)	(872)	(1,057)	(1,243)	(555)
Equity holders of the Company	5,565	10,967	9,740	4,779	4,840

ANALYSIS (%)

Year	2018	2017	2016	2015	2014
Gross profit margin	14.1	14.5	15.7	15.2	15.7
PBT margin	2.8	3.8	4.0	2.5	2.5
Turnover increase	3.7	15.1	4.1	19.0	11.0
Operating profit (decrease)/increase	(24.2)	7.3	66.5	15.4	158.0
Net profit (decrease)/increase	(43.6)	9.7	79.3	11.6	783.0

FINANCIAL
HIGHLIGHTS

PER SHARE DATA

(cents, unless otherwise stated)

	2018	2017	2016	2015	2014
Net earnings (basic) ¹	6.18	12.17	10.81	5.30	1.34
Net earnings (fully diluted) ²	6.18	12.17	10.81	5.30	1.34
Net dividend	4.41	5.51	4.41	3.31	0.82
Net dividend payout (times)	0.71	0.45	0.41	0.62	0.61
Net assets value ³	110.7	111.87	107.30	101.02	24.01
Gross dividend	4.41	5.51	4.41	3.31	0.82
Gross dividend yield (%) ⁴	5.73	6.33	6.68	6.9	5.66

¹ Numbers of shares used in the above computation (M)**90.1**

90.1

90.1

90.1

360.4

² Numbers of shares used in the above computation (M)**90.1**

90.1

90.1

90.1

360.4

³ Numbers of shares used in the above computation (M)**90.1**

90.1

90.1

90.1

360.4

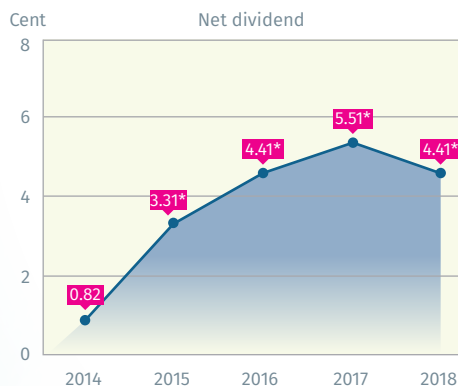
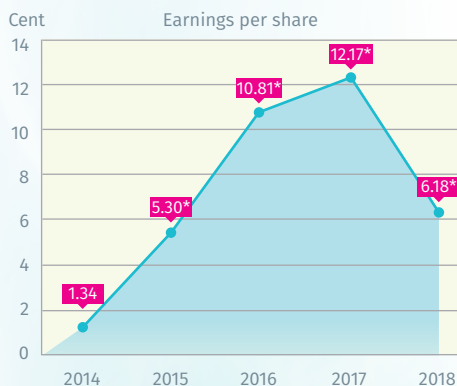
⁴ Based on the closing share price as at the last market day of the year**77.0**

87.0

66.0

48.0

14.5



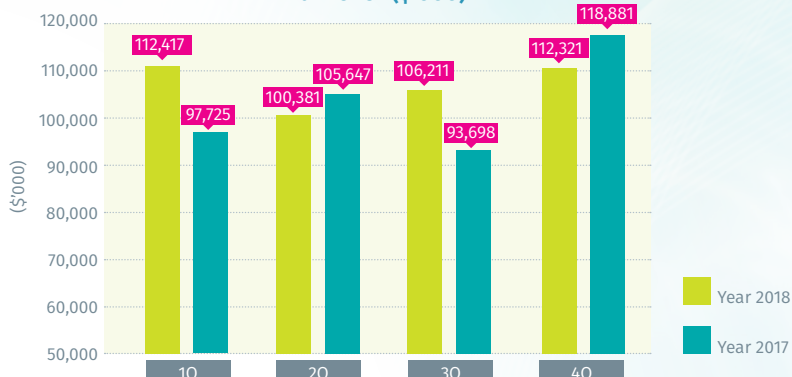
* The figures are after the share consolidation exercise to consolidate every 4 ordinary shares into 1 ordinary share.

FINANCIAL RATIOS

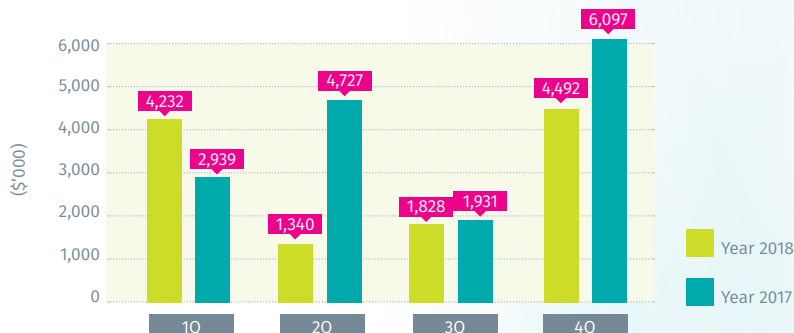
	2018	2017	2016	2015	2014
Current ratio (times)	1.77	1.80	1.94	1.83	1.68
Return on shareholder's funds (%)	5.58	10.88	10.08	5.25	5.59
Return on assets employed (%)	2.39	4.77	5.04	2.55	2.57
Debt equity ratio	0.19	0.24	0.11	0.23	0.41
Debt interest cover	0.73	0.76	1.92	0.69	0.38

FINANCIAL HIGHLIGHTS

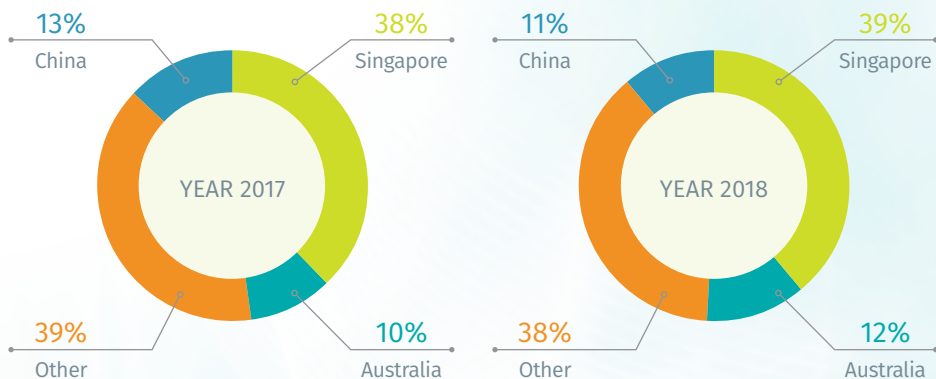
Turnover (\$'000)



Profit before income tax (\$'000)



Group Turnover By Geographical Segments



FINANCIAL HIGHLIGHTS

SEGMENTAL INFORMATION

BY BUSINESS SEGMENTS

Year Ended (\$'000)	PCB Business		IT Business		Total	
	2018	2017	2018	2017	2018	2017
Turnover						
1st Quarter	2,254	5,617	110,163	92,108	112,417	97,725
2nd Quarter	1,119	2,788	99,262	102,859	100,381	105,647
3rd Quarter	1,815	2,814	104,396	90,884	106,211	93,698
4th Quarter	1,515	2,746	110,806	116,135	112,321	118,881
	6,703	13,965	424,627	401,986	431,330	415,951
Segment results						
1st Quarter	916	1,302	3,316	1,637	4,232	2,939
2nd Quarter	(17)	1,697	1,357	3,030	1,340	4,727
3rd Quarter	(881)	(269)	2,709	2,200	1,828	1,931
4th Quarter	(759)	(549)	5,251	6,646	4,492	6,097
	(741)	2,181	12,633	13,513	11,892	15,694

BY GEOGRAPHICAL SEGMENTS

Year Ended (\$'000)	Singapore		China		Australia		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1st Quarter	46,642	36,754	11,929	14,368	11,233	8,108	42,613	38,495	112,417	97,725
2nd Quarter	41,437	38,076	7,976	11,349	15,522	12,473	35,446	43,749	100,381	105,647
3rd Quarter	40,323	39,288	12,013	10,647	15,057	11,984	38,818	31,779	106,211	93,698
4th Quarter	39,231	44,330	15,818	16,804	12,117	9,169	45,155	48,578	112,321	118,881
	167,633	158,448	47,736	53,168	53,929	41,734	162,032	162,601	431,330	415,951

FINANCIAL REVIEW



REVENUE

The Group achieved revenue of \$112.3M for the three months ended 31 December 2018 ("4Q2018"), a decrease of 5.6% or \$6.6M compared to the revenue of \$118.9M for the three months ended 31 December 2017 ("4Q2017"). For the twelve months ended 31 December 2018 ("12M2018"), the Group achieved revenue of \$431.3M, a year-on-year increase of 3.7% or \$15.3M, compared to revenue of \$416.0M achieved for the twelve months ended 31 December 2017 ("12M2017").

Comparing 4Q2018 to three months ended 30 September 2018 ("3Q2018"), the Group revenue increased by 5.7% or \$6.1M, from \$106.2M in 3Q2018 to \$112.3M in 4Q2018.

For 4Q2018, the IT Division accounted for 98.7% of the Group's revenue, while the PCB Division accounted for the remaining 1.3% of the Group's revenue.

FINANCIAL REVIEW

IT Business

The IT Distribution business achieved quarterly revenue of \$110.8M in 4Q2018, a decrease of 4.6% or \$5.3M, from \$116.1M in 4Q2017. The decrease in revenue was mainly due to business slowdown resulting from global economic uncertainty. On a twelve months basis, this business grew by 5.6% or \$22.6M, from \$402.0M in 12M2017 to \$424.6M in 12M2018.

Comparing 4Q2018 to 3Q2018, revenue increased by 6.1% or \$6.4M, from \$104.4M in 3Q2018 to \$110.8M in 4Q2018. The increase in revenue in 4Q2018 was mainly due to a traditionally better fourth quarter in IT Division. However, comparing to the growth of 27.7% from 3Q2017 to 4Q2017, growth for 4Q2018 of 6.1% is much lower due to global economic uncertainty.

PCB Business

Revenue in this Division decreased by 46.4% or \$1.3M, from \$2.8M in 4Q2017 to \$1.5M in 4Q2018.

Comparing 4Q2018 to 3Q2018, revenue in this Division decreased by 16.7% or \$0.3M from \$1.8M in 3Q2018 to \$1.5M in 4Q2018.

The decrease in revenue was mainly due to lower demand from customers.

PROFIT BEFORE TAX ("PBT")

The Group registered a PBT of \$4.5M in 4Q2018, as compared to \$6.1M in 4Q2017.

The increase in PBT was mainly due to the following:

- (1) A decrease of \$1.9M in gross profit mainly due to the drop in gross profit margin in PCB division resulting from the decrease in revenue, and allowance for inventory obsolescence in IT division of \$643,000 in 4Q2018, as compared to a reversal of allowance for inventory obsolescence of \$71,000 in 4Q2017;
- (2) Bad third party trade receivables written off of \$283,000 in 4Q2018. The bad third party trade receivables written off in 4Q2017 was written off from allowance for doubtful third parties trade receivables. The change was in accordance to SFRS(I) 9;
- (3) A decrease in allowance reversed for doubtful third party trade receivables of \$381,000 from \$530,000 in 4Q2017 to \$149,000 in 4Q2018, based on the impairment review performed in 4Q2018 in accordance to SFRS(I) 9;
- (4) An increase in interest expense of \$98,000 from \$138,000 in 4Q2017 to \$236,000 in 4Q2018 mainly due to bank borrowing drawn down from financial institutions; and
- (5) A decrease in other gains by \$293,000 from \$462,000 in 4Q2017 to \$169,000 in 4Q2018 mainly due to sales of drill bits in PCB division in 4Q2017.

FINANCIAL REVIEW

The drop in PBT was however ameliorated by the following:

- (1) An increase in interest income by \$57,000 from \$152,000 in 4Q2017 to \$209,000 in 4Q2018 mainly due to more fixed deposits placed with financial institutions;
- (2) An increase in gain on disposal of plant and equipment of \$25,000 from \$65,000 in 4Q2017 to \$90,000 in 4Q2018;
- (3) Net foreign exchange gain of \$518,000 in 4Q2018, as compared to a net foreign exchange loss of \$62,000 in 4Q2017, mainly due to depreciation of United States dollar against local currencies in 4Q2018. Excluding net foreign exchange difference, the Group reported a PBT of \$5.0M in 4Q2018, compared to a PBT of \$6.0M in 4Q2017;
- (4) Fair value gain of \$46,000 in investment in life insurance plan in 4Q2018. There was no such fair value gain in 4Q2017 as the investment was classified as available-for-sale financial assets with fair value changes recognized in other comprehensive income in 4Q2017. With effect from 1 January 2018, the investment in life insurance plan is classified as financial assets at fair value through profit or loss on adoption of SFRS(I) 9.

Comparing 4Q2018 to 3Q2018, the Group PBT stood at \$4.5M in 4Q2018 as compared to \$1.8M in 3Q2018, mainly due to higher gross profit in 4Q2018 as a result of higher revenue, net foreign exchange gain in 4Q2018 as compared to net foreign exchange loss in 3Q2018, and reversal of allowance for doubtful third party trade receivables in 4Q2018 as compared to allowance made in 3Q2018.

PROFIT AFTER TAX ("PAT")

Group PAT decreased by 44.0% or \$2.2M, from a profit of \$5.0M in 4Q2017 to \$2.8M in 4Q2018. The decrease was mainly due to the changes in Group PBT and higher income tax expenses for entities with higher taxable profits generated.

Comparing 4Q2018 to 3Q2018, Group PAT increased by 64.7% or \$1.1M, from a profit after tax of \$1.7M in 3Q2018 to a profit of \$2.8M in 4Q2018. The increase was mainly due to the changes in Group PBT, offset by the increase in income tax expenses for entities with higher taxable profit generated.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Group.

STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items as at 31 December 2018 compared to 31 December 2017.

Property, plant and equipment increased by \$1.9M and \$515,000 at the Group and Company level respectively mainly due to purchase of new property, plant and equipment, net of depreciation and disposal of plant and equipment.

FINANCIAL REVIEW

Investment in subsidiaries decreased by \$3.2M at the Company level due to capital return from one subsidiary liquidated during the year.

Investment in life insurance plan at both Group and Company level refers to the financial asset previously classified as Available-for-sale financial assets at fair value through other comprehensive income. On adoption of SFRS(I) 9 as at 1 January 2018, the investment in life insurance plan will be classified as financial assets at fair value through profit or loss. The cumulative fair value change in the Available-for-sale financial assets has been reclassified to retained earnings as at 1 January 2018.

Cash and bank balances at the Group level decreased by \$20.2M from \$76.8M to \$56.6M. The decrease was mainly due to the increase in working capital requirement owing to the higher business volume, purchase of property, plant and equipment, and repayments of bank borrowings. At the Company level, cash and bank balances decreased from \$12.9M to \$6.5M mainly due to repayments of bank borrowings.

Trade and other receivables of the Group level increased by \$18.9M from \$101.3M to \$120.2M, mainly due to delay in customer collections. At the Company level, trade and other receivables decreased by \$482,000 from \$34.1M to \$33.7M, mainly due to repayment from a subsidiary.

Inventories at both Group and Company level remained relatively unchanged.

Current income tax recoverable increased by \$1.2M from \$1.6M to \$2.8M at the Group level mainly due to the increase in tax deducted at source in year 2018. At the Company level, current income tax recoverable as at 31 December 2017 was recovered during Year 2018.

Trade and other payables increased by \$7.4M from \$93.5M to \$100.9M at the Group level mainly due to increase in purchases to cater for contracts not yet fulfilled, advance billings and advance receipts. At the Company level, trade and other payables decreased from \$2.7M to \$2.1M mainly due to accrued operating expenses paid off in year 2018.

Bank borrowings decreased by \$5.3M from \$25.7M to \$20.4M at the Group level mainly due to repayments of bank borrowings. At Company level, borrowings decreased from \$18.2M to \$11.2M mainly due to the same reason.

Foreign currency translation account of \$465,000 instead of foreign currency translation reserve of \$500,000 at the Group level mainly due to depreciation of Chinese Renmibi against Singapore dollar and reclassification of foreign currency translation account upon disposal of one subsidiary during the year.

Other reserves decreased from \$5.2M to \$3.5M mainly due to disposal of one subsidiary during the year.

FINANCIAL REVIEW

INDEBTEDNESS

The amount of Group's borrowings is as set out below:

Year Ended (\$'000)	2018	2017
Due within 1 year:		
Bank borrowings	19,558	24,373
Finance leases	-	29
	19,558	24,402
Due after 1 year:		
Bank borrowings	869	1,310
Total debt	20,427	25,712
Debt equity ratio	0.19	0.24
Debt interest cover	0.73	0.76

Working capital of the Group stood at \$91.6M and \$94.1M as at 31 December 2018 and 31 December 2017 respectively. The decrease was mainly due to the decrease in cash and bank balances, and the increase in trade and other payables, net of the increase in trade and other receivables and the decrease in bank borrowings.

At the Company level, working capital stood at \$28.2M and \$28.1M as at 31 December 2018 and 31 December 2017 respectively. Current assets at the Company level as at 31 December 2018 comprised mainly trade and other receivables of \$33.7M, and this decreased by 1.2% from \$34.1M as at 31 December 2017 mainly due to repayment from a subsidiary. Cash and bank balances decreased by \$6.4M from \$12.9M as at 31 December 2017 to \$6.5M as at 31 December 2018 mainly due to repayments of bank borrowings. Current liabilities comprised mainly bank borrowings and trade and other payables. Bank borrowings comprised mainly short term loans to finance the working capital expenditure of the Company and its subsidiaries and long term loan to finance the Company's investment in life insurance plan.

FINANCIAL REVIEW

CASH FLOW ANALYSIS

The movement in cash and cash equivalents is set out as follows:

Year Ended (\$'000)	2018	2017
Cash flows (used in)/provided by operating activities	(3,871)	12,031
Cash flows (used in)/provided by investing activities	(4,340)	7,076
Cash flows provided by/(used in) financing activities	3,146	(9,441)
Net (decrease)/increase in cash and cash equivalents	(5,065)	9,666
Cash and cash equivalents at beginning of the financial year	57,152	49,990
Effect of exchange rate changes on cash and cash equivalents	(1,687)	(2,504)
Cash and cash equivalents at end of the financial year	50,400	57,152

Net cash of \$3.9M was used in operating activities in 12M2018, as compared to net cash of \$12.0M generated in 12M2017. This was mainly due to lower profit before income tax attained, payment made to vendors and increase in income tax payment. The increase in income tax payment was mainly due to corporate income tax payment, tax deducted at source and capital gains tax withheld upon capital return of investment in a subsidiary liquidated.

Net cash of \$4.3M was used in investing activities in 12M2018, as compared to \$7.1M generated in 12M2017. The change was mainly due to purchase of property, plant and equipment of \$4.8M, net of proceeds from disposal of plant and equipment of \$411,000 in 12M2018, as compared to proceeds from disposal of plant and equipment of \$8.7M, net of purchase of plant and equipment of \$1.7M in 12M2017.

Net cash of \$3.1M was generated from financing activities in 12M2018 as compared to \$9.4M used in 12M2017. This was mainly due to proceeds from bank borrowings of \$68.8M and a lift in fixed deposits pledged of \$13.5M, net of repayment of bank borrowings of \$73.5M and dividend payment of \$5.0M in 12M2018, as compared to repayment of bank borrowings of \$71.3M, an increase in pledged fixed deposits of \$19.1M and dividend payment of \$4.0M, net of proceeds from bank borrowings of \$85.6M in 12M2017.

Cash and cash equivalents stood at \$50.4M as at end of 31 December 2018, down from \$57.2M as at the end of 31 December 2017.

VALUE ADDED STATEMENT

Year Ended	2018	2017
	\$'000	\$'000
Sales	431,330	415,951
Purchase of goods & services	(380,951)	(367,361)
Gross value added from operations	50,379	48,590
Other operating income	1,850	5,459
Exchange loss	(2,506)	(1,198)
Total value added	49,723	52,851
Distribution:		
To employees in salaries & other staff related costs	35,123	33,934
To government in corporate and other taxes	5,219	3,855
To providers of capital		
– Finance costs	541	392
Retained in the business		
– Depreciation and amortisation	2,167	2,831
– Non-controlling interests	1,108	872
– Retained earnings	5,565	10,967
Total distribution	49,723	52,851
Productivity Data		
Average numbers of employees	707	792
Sales per employee (\$'000)	610	525
Value added per employee (\$'000)	70	67
Value added per \$ employment cost	1.42	1.56
Value added per \$ net sales	0.12	0.13

INVESTOR RELATIONS



Multi-Chem recognises the importance of good investor relations and has made positive strides in this area. The Company has been keeping shareholders and the investing community updated on the key developments of the Group through regular announcements on SGXNET.

Multi-Chem has always made efforts to announce our results early. The Company continues to announce its quarterly results to provide investors prompt quarterly updates of financial and business developments of the Group.

The Company has its own corporate website www.multichem.com.sg while its IT security arm has its own website www.mtechpro.com to provide information on its products and services.

The Company will respond within two working days to all calls and emails requesting for information.

Investors are encouraged to refer to the investor guides on SGX website in regards to how to read annual reports and how to prepare for Annual General Meeting.

We will continue to place emphasis on good investor relations and make efforts on improving the information flow so that awareness about the Group and its business can be built.

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the processes and structure by which the business and affairs of the Company are directed and managed. The Board recognises that sound corporate governance is an essential part of good business practices and corporate accountability. Accordingly, the Company has adopted measures and practices set out in the Code of Corporate Governance 2012 (“2012 Code”). Deviations from the 2012 Code, if any, are explained in the report below.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board is responsible for setting the Group’s strategic vision, direction and long-term goals, for management and internal control, for approval of major projects and significant financing matters, and approval of the release of the quarterly reports. The Board provides entrepreneurial leadership, establishes effective controls to assess and manage risks as well as safeguarding shareholders’ interests and Company’s assets, identify key stakeholder groups and recognise their perceptions affect the Company’s reputation, set Company’s values and standards and consider sustainability issues as part of its strategic formulation. The Board works closely with the management and reviews management performance. All Directors make objective decisions in the fiduciary interests of the Company.

The Board has delegated certain functions to various Board committees, namely the Audit and Risk Management Committee (“ARMC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). Each of the Committees has the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility lies with the Board.

Matters that are reserved for the Board include broad policy decisions, material acquisitions and disposals of assets, approval of the nomination of Directors, announceable matters to the Singapore Exchange Securities Trading Limited (“SGX-ST”), proposal of dividends, approval of Statement by Directors and audited financial statements, corporate or financial restructuring and other significant corporate actions. In addition to physical meetings, written resolutions are on occasion also circulated to the Directors for approval.

Board approval has to be sought for transactions not in the ordinary course of business if any such transaction exceeds \$2.0M in value. To facilitate operational efficiency, Board approval would not be required for day-to-day decisions and matters that are operational in nature, even though such single transaction may exceed \$2.0M in value.

The Company, assisted by the corporate secretarial firm, Tricor Evatthouse Corporate Services, provides the Board with regular updates of the latest governance and listing policies. The Board also receives relevant training, if required, on changes in the business environment, relevant new laws, regulations and changing commercial risk. The Board has approved an annual training budget for each Director to attend relevant training and professional development programs. During the year, the Board was briefed on the latest changes to the Listing Manual requirements, developments in accounting by the external auditor, updates on internal controls from the internal auditor and business development from the Chief Executive Officer (“CEO”). The Directors are encouraged to attend programmes organised by the Accounting and Corporate Regulatory Authority and the Singapore Institute of Directors. In 2018, the Directors attended courses organised by the Singapore Institute of Directors.

CORPORATE GOVERNANCE REPORT

Any newly appointed Director will be given briefings on the business activities of the Group, its strategic directions, governance practices and Director's duties and obligations. He/she will be given the opportunity to visit the Group's operational facilities to gain a better understanding of the Group's business operations. Upon appointment of a Director, the Company provides a formal letter of appointment to the Director. No new Director was appointed in 2018.

The Board meets at least once on a quarterly basis to coincide with the announcement of the Group's quarterly results. Where circumstances require, the Board will arrange for telephonic and videoconference meetings. Non-executive Directors are encouraged to meet regularly without management present. In 2018, the non-executive Directors have met (without management) on several occasions.

Minutes of all Board Committee and Board Meetings are circulated to its members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. Matters arising from each meeting will be followed-up and reported to the Board. The number of board meetings held in 2018 and the attendance of every board member at the Board meetings and respective Board Committees meetings are disclosed as follows:

Name of Director	Board		ARMC		RC		NC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Keng Jin (Chairman, Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Suan Sai (Chief Executive Officer)	4	4	-	-	-	-	1	1
Han Juat Hoon (Chief Operating Officer)	4	4	-	-	-	-	-	-
Foo Fang Yong (Executive Director)	4	3	-	-	-	-	-	-
Wong Meng Yeng (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Neo Mok Choon (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Foo Maw Shen (Non-executive and Independent Director)	4	3	4	3	1	1	1	1

Principle 2: Board Composition and Guidance

Currently, the Board consists of seven members, out of whom four are non-executive and independent Directors. There is a strong and independent element on the Board with independent Directors make up at least half of the Board.

CORPORATE GOVERNANCE REPORT

The independence of each Director is reviewed annually by the NC. The criterion of independence is based on the guidelines provided in the 2012 Code. The NC looks into the ability of the independent Directors to represent the minority shareholders and to exercise judgement without being influenced by relationships or transactions with the management and/or companies within the Group. Among the items the NC considers while reviewing the independence are:-

1. Whether there is any business arrangement or relationship between the independent Director and the management and/or the Group or employed by the Company or its related corporation for current or any of the past three financial years or has an immediate family member who is employed by the Company or any its related corporation for the past three financial years and whose remuneration is determined by the Remuneration Committee;
2. If yes, the nature of such arrangement and whether such arrangement constitutes a conflict of interest and is likely to compromise the independent decision making ability of that Director while the latter employment relationship constitutes a director is not independent;
3. Whether there is any relationship between the independent Director and the management or key individuals within the Group, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company and Group;
4. Whether the independent Director has a conflict of interest, e.g. by participating in the boards of the Group's customers, suppliers or competing businesses.

An independent Director shall notify the Company Secretary immediately of any change in circumstances that may result in him not being able to meet the criteria for independence. The Board may, after considering the change in circumstances, require the resignation of the Director.

The independent Directors are not employees of any company within the Group and they bring diverse experience to the Company's decision-making process. Apart from receiving Director's fees, they do not have any other material pecuniary relationship or transactions with companies within the Group or the management, which in the judgement of the Board may affect their independence of judgement.

The independence of each Independent Director is assessed annually by the NC. Particular attention is given to review and assess the independence of any director as at FY2018 who has served beyond 9 years from the date of appointment. Mr Wong Meng Yeng and Mr Lim Keng Jin have served the Board beyond 9 years and they were subject to rigorous review.

The Board has conducted a review of the performance of each of the two Independent Directors based on a set of criteria. The Board had rigorously reviewed and agreed that the Directors concerned, Mr Wong and Mr Lim, had participated, deliberated and expressed their views independently at all times, presenting objective and constructive challenges to the assumptions and viewpoints by Management. The Board has benefited from valuable insight from the presence of the Directors concerned who have over time gained valuable insight into the Group and its markets. The Board considered each of the Directors concerned brings invaluable expertise, experience and knowledge to the Board. The Directors concerned, who are familiar with the business, will continue to contribute positively to the deliberation of the Board and Board Committees. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of service. The Board has determined that Mr Wong Meng Yeng and Mr Lim Keng Jin remained independent of character and judgement. The Board is satisfied that Mr Wong Meng Yeng and Mr Lim Keng Jin can continue to discharge their duties objectively. No NC member is involved in the deliberation in respect of his independence.

CORPORATE GOVERNANCE REPORT

The Board, has considered the need for progressive refreshing of the Board. The Board concurred with the NC for the progressive refreshing of the Board considering the scope and nature of the Company's operations and requirements of the business in a global market. However, the Board agreed that progressive Board refreshing should take place without undue disruptions and properly planned. Meanwhile, the continuing of the Board members ensures that the diverse experiences and pattern-recognition skills of experienced directors in the Board enable them to add significant value to the Company. Hence, the progressive refreshing of the Board and continual of Board members must be balanced with the need for continuity with benefits for the Company.

The Board comprises Directors who are of diverse professions. These include accounting or finance, legal, business or management experience and engineering. The Board is of the view that its size is appropriate for effective decision making taking into account the scope and the nature of the operations of the Company and as a group provides valuable perspectives and knowledge of the Company. There is an appropriate balance and diversity of skills, experience and gender. Apart from the diversity of skills and experiences, the Board is also not uni-gender. While the Board does not have a diversity policy, it practices diversity in the Board and employment practices.

The Board acknowledges the important contribution of non-executive directors although non-executive directors are independent of the management and business or other relationships which could materially interfere with the exercise of independent judgement. Non-executive directors constantly challenge and provide a different perspective or wider view of external factors affecting the Company and its business environment. Non-executive directors also review the performance of management, especially relating to the progress of achieving agreed goals and objectives and monitor the reporting of performance to the Board.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 4, 5, 52 and 53 of the Annual Report.

No individual or small group of individuals dominate the Board's decision making process.

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

The roles of Chairman and Chief Executive Officer are separated. The Chairman of the Company is Mr Lim Keng Jin who is an Independent Director while Mr Foo Suan Sai is the Chief Executive Officer.

As Chairman of the Board, Mr Lim Keng Jin's role includes:

- Scheduling of meetings that enable the Board to perform its duties while not interfering with the flow of the Company's operations;
- Setting meeting agenda;
- Exercising control over quality, quantity and timeliness of the flow of information between management and the Board;
- Assisting in ensuring compliance with the Company's guidelines on corporate governance; and
- Encouraging constructive relations between executive Directors and non-executive Directors and facilitating the effective contribution of non-executive Directors in particular.

CORPORATE GOVERNANCE REPORT

The Chief Executive Officer, Mr Foo Suan Sai manages the business of the Company, sets business strategies and direction for the Group and implements the Board's decisions. Mr Foo Suan Sai also provides business updates to the Board and shares strategy and goals.

There is a balance of power in the Board with each Board Committee chaired and led by Independent Directors. As there is separation in the roles of Chairman and CEO to preserve effective corporate governance, the appointment of a Lead Independent Director is not necessary. Independent Directors met regularly without the presence of other Directors.

BOARD COMMITTEES

Principle 4: Board Membership

Board membership is under the purview of NC which comprises Mr Wong Meng Yeng as Chairman. Mr Lim Keng Jin, Mr Foo Suan Sai, Mr Neo Mok Choon and Mr Foo Maw Shen are members of NC. A majority of the NC is independent, including the NC Chairman.

The NC has written terms of reference that describe its objectives, duties and responsibilities. The objective of the NC is to maintain an effective Board and to ensure that only competent individuals capable of contributing to the success of the Company are appointed. The NC's main functions as defined in the written terms of reference are as follows:

- (a) make recommendations to the Board on all board appointments;
- (b) assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board;
- (c) determine annually whether or not a Director is independent;
- (d) recommend re-nomination and re-election of Directors; and
- (e) review training and professional development programs for the Board.

The Board has not determined the maximum number of listed company board representations which any Director may hold. The Board reviewed and agreed that directors with multiple listed company board representation and other principal commitments were able to and have been adequately carrying out their duties as a Director of the Company. Although the non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors will widen the experience of the Board and give it a broader perspective.

Where new appointments are required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates before a decision is made on a selection. The Board was of the view that the skills and knowledge of each Director contributes to the core competencies of the Board. The NC promotes transparency in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

The NC has reviewed and determined that Mr Wong Meng Yeng, Mr Lim Keng Jin, Mr Neo Mok Choon and Mr Foo Maw Shen are independent as at the date of this Annual Report and their experience in finance, business, law and engineering enables them to exercise objective judgement on corporate affairs independently.

CORPORATE GOVERNANCE REPORT

A member who wishes to retire or resign should provide sufficient notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the NC, the Company shall endeavour to fill the vacancy within two months, but in any case not later than three months.

All Directors have to submit themselves for re-nomination/re-election at regular intervals or at least once every three years in accordance with the Company's Constitution. The NC had recommended to the Board that Mr Lim Keng Jin and Mr Foo Fang Yong be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). In reviewing for re-appointment/re-election, NC has considered criteria such as the Director's contribution and performance, attendance, preparedness, participation, candour and suitability, and if applicable, assessment of the Director's independence. The NC is satisfied that the Director under review has been adequately carrying out his duties as a Director of the Company.

The Board succession planning begins with the appointment of new directors to the Board. The Board recognised the importance of identifying potential candidate within the Company for succession planning for the CEO.

The Company has no alternate director.

Key information regarding the Directors of the Company are disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Foo Suan Sai	30 September 1988	–	Chief Executive Officer	Member of Nominating Committee	None
Han Juat Hoon	16 May 1987	26 April 2018	Chief Operating Officer	None	None
Foo Fang Yong	28 May 2015	28 April 2016	Executive Director	None	None
Wong Meng Yeng	5 January 2000	26 April 2018	Independent Director	Chairman of Nominating Committee, Member of Audit and Risk Management Committee and Remuneration Committee	KS Energy Limited (Retired on 27 April 2017) Baker Technology Limited Keong Hong Holdings Limited
Lim Keng Jin	29 April 2005	28 April 2016	Independent Director and Chairman	Chairman of Remuneration Committee, Member of Audit and Risk Management Committee and Nominating Committee	G. K. Goh Holdings Limited (Retired on 25 April 2016)

CORPORATE GOVERNANCE REPORT

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Neo Mok Choon	1 August 2012	21 April 2017	Independent Director	Chairman of Audit and Risk Management Committee, Member of Nominating Committee and Remuneration Committee	None
Foo Maw Shen	31 July 2014	21 April 2017	Independent Director	Member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee	Sakae Holdings Ltd. (Appointed on 28 January 2019)

Details of other principal commitments of the Directors have been set out in the Directors' Profile of this Annual Report.

Principle 5: Board Performance

The Board's performance is ultimately reflected in the performance of the Group. The Board shall, at all times, act honestly and use reasonable diligence and care in the discharge of the duties of their office. They have to carry their duties in the best interests of the Company and its shareholders. Board members must attend at least 75% of all Board Meetings.

The NC has established an appraisal process to assess the performance and effectiveness of the Board annually as a whole and its Board Committees and for assessing the contribution of the Chairman and contribution by each individual Director to the effectiveness of the Board. Each Director is required to complete a questionnaire so that the Board considers the performance and effectiveness in its entirety. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, and the Board's performance in relation to discharging its principal responsibilities. The assessment of Board Committees reviews the effectiveness of each Board Committee to address matters delegated in the Terms of Reference and guidelines of the 2012 Code. Directors assessed the contribution by the Chairman in terms of leadership and communication to stakeholders. Assessment on the contribution by each individual director allow directors to assess how well directors perceive themselves and each other to be contributing positively to the work of the Board in terms of leadership, communication skills and effectiveness of risk management. The findings of such evaluations were analysed and discussed with a view to enhance the effectiveness of the Board. The Board was updated on the analysis of such evaluations. The Board concurred and supported the suggestions of the NC to bring about Board effectiveness especially in terms of strategic issues. No external facilitator was used to conduct the evaluation of Board performance.

CORPORATE GOVERNANCE REPORT

Performance of Board members is also evaluated informally on a continual basis by the NC according to their contribution during meetings and also their input to the Company on matters related to corporate governance, legal or accounting matters, based on their individual expertise.

The NC is of the opinion that the above performance evaluation criteria are currently adequate. Each director continues to contribute effectively and demonstrate commitment to the appointed role.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the Company circulates the reports relating to operational and financial performance of the Group and Company prior to the Board meetings held quarterly. Additional reports are also available upon request. Where a physical meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing. Monthly management accounts are also provided to the Directors.

The Directors have also been provided with the phone numbers and email particulars of the key management personnel and Company Secretary for separate and independent access.

The Board will refer issues to the ARMC for opinion on whether any independent advice is necessary. Should any independent advice be required, the cost of such professional advice will be borne by the Company.

The role of the Company Secretary is clearly defined and reported to the Board. It includes responsibility for ensuring Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary works with the Chairman of the Board and Board Committees in advance for them to suggest items for the agenda and/or review of the relevance of the items in the proposed agenda. The Company Secretary shall attend all Board Meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION COMMITTEE

Principle 7: Remuneration Matters

The RC comprises four members, who are all Independent Directors. The RC is chaired by Mr Lim Keng Jin, an Independent Director. Mr Wong Meng Yeng, Mr Neo Mok Choon and Mr Foo Maw Shen are members of the RC. The RC meets at least once a year. The RC has a written terms of reference that describe its objectives, duties and responsibilities. The objectives of the RC are to facilitate appropriate transparency and accountability to shareholders and make recommendations to the Board on remuneration matters of the Director, CEO and key management personnel.

The RC's main responsibilities as written in the terms of reference include:-

- (a) recommending to the Board, a framework of remuneration for the Board and the key management personnel of the Group covering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits-in-kind and specific remuneration packages for each Director and key management personnel;

CORPORATE GOVERNANCE REPORT

- (b) reviewing the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies and considering long-term incentives.

The RC reviews the performance of the Chief Executive Officer, Chief Operating Officer and key management personnel, as well as reviewing and approving executive remuneration including but not limited to Directors' fees, salaries, allowances, bonuses and benefits. The recommendations from the RC will be submitted for endorsement by the entire Board. No RC member or any Director is involved in deliberation in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of all Directors.

Principle 8: Level and Mix of Remuneration

The executive Directors, Mr Foo Suan Sai and Mdm Han Juat Hoon, are also the substantial shareholders of the Company. Their interests are therefore in line with the Company's interest. Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon is in accordance with their service contracts.

There is a linkage between remuneration paid to executive Directors and performance of the Company based on a profit sharing scheme. The profit sharing scheme is approved by the Board with the concurrence of the Remuneration Committee on an annual basis.

Remuneration of non-executive Directors takes into account the effort and time spent, including the responsibilities of each Director. Non-executive Directors are paid Directors' fees, which are subject to approval of the Shareholders at the AGM.

The Board comprises majority Independent Directors some of whom hold shares in the Company and their interests are aligned with the interests of shareholders.

The Company currently does not have any share option scheme or any long term scheme in place as the Company believes "pay holds employees accountable" for improving shareholder value and drive productivity profit. The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive Directors and key management personnel in exceptional cases of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Principle 9: Disclosure on Remuneration

Remuneration is fixed in accordance with the experience of the person in question, the role performed, market comparison, the contribution of the individual and/or the performance of the Company.

CORPORATE GOVERNANCE REPORT

The number of Directors whose remuneration falls within the following bands:

Remuneration Bands (in Singapore Dollars)	2018	2017
\$1.5M to below \$1.75M	-	1
\$1.0M to below \$1.25M	1	1
\$750,000 to below \$1.0M	1	-
\$500,000 to below \$750,000	1	1
Below \$250,000	4	4
Total	7	7

The annual remuneration bands (in Singapore Dollars) of the Directors and the key management personnel as at 31 December 2018 are set out below:

FY2018	Base Salary%	Variable Bonus%	Profit Sharing %	Benefits %	Fees %	Total %
Directors						
\$1.0M to below \$1.5M						
Foo Suan Sai	63	-	35	2	-	100
\$750,000 to below \$1.0M						
Han Juat Hoon	59	-	38	3	-	100
\$500,000 to below \$750,000						
Foo Fang Yong	59	-	33	8	-	100
Below \$250,000						
Wong Meng Yeng	-	-	-	-	100	100
Lim Keng Jin	-	-	-	-	100	100
Neo Mok Choon	-	-	-	-	100	100
Foo Maw Shen	-	-	-	-	100	100
Key management personnel						
\$250,000 to below \$500,000						
Goh Tian Keong Winston	48	-	22	30	-	100
Lim Kok Soon Rayson	58	42	-	-	-	100
Pui Boon Tiong Eugene	57	40	-	3	-	100
Below \$250,000						
Koh Henry	71	25	-	4	-	100
Yang Wen Kuai	86	6	-	8	-	100

For reasons of competition, the Company is not disclosing each individual Director's remuneration.

CORPORATE GOVERNANCE REPORT

Instead, the Company is disclosing the remuneration of each Director in bands of \$250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel while securing the very best talented personnel especially in the competitive IT distribution and IT training business, the Company is not disclosing the aggregate remuneration paid to the key management personnel of the Group in this report.

Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon are in accordance with their respective service contracts with the Company. Remuneration of Mr Foo Fang Yong is in accordance with his employment contract with the Company's subsidiary, M. Tech Holdings Pte. Ltd.. For the key management personnel, the remuneration is based on their respective employment contract with the Company and fixed based on the above factors as well as negotiation between the parties concerned.

The total remuneration of employees who are related to the substantial shareholders is subject to annual review and approval of the RC. For FY2018, the total remuneration paid to these employees amounted to \$131,214 (2017: \$140,934).

There were no employees who are immediate family members of a Director or the Chief Executive Officer and whose remuneration exceeds \$50,000 during FY2018.

The Company does not have any employee share scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders and the management is accountable to the Board. The Board is provided with management accounts and such explanation and information necessary to assess the Group's performance and make informed decisions. The information includes analysis of each product and country that the Group operates.

The Company had adopted quarterly results reporting since the third quarter of 2002. For its financial reporting, the Company will continue to provide a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

The Board takes adequate steps to ensure compliance with regulatory requirements by training and reinforcement of practice behaviours and safeguard critical information through establishing a strong compliance culture.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

CORPORATE GOVERNANCE REPORT

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework. To enhance the effectiveness of the ERM framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

The Audit and Risk Management Committee oversees risk governance which includes the following roles and responsibilities:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management; and
- reviews management's assessment of risks and management's action plans to mitigate such risks.

Management presented its annual report to the Audit and Risk Management Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during FY2018 on the adequacy of the Group's risk management and internal controls including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessments performed by Management, internal and external audits performed by internal and external auditors. For FY2018, control self-assessment was performed using the Orion ERM system.

Based on the Risk Management Framework and internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the management, various Board Committees and the Board, the Audit and Risk Management Committee and the Board are satisfied that the Group's risk management and internal control systems were adequate and effective for the financial year ended 31 December 2018 to address financial, operational, compliance and information technology risks.

The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board has obtained a written confirmation from the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"):

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

CORPORATE GOVERNANCE REPORT

- (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems. The CEO, COO and CFO have obtained assurance from the respective risk and control owners.

Principle 12: Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") takes on the corporate governance and oversight responsibilities in respect to risk management of the Group and each subsidiary.

The ARMC comprises four members, all are Independent Directors. The ARMC is chaired by Mr Neo Mok Choon. The other ARMC members are Mr Lim Keng Jin, Mr Wong Meng Yeng and Mr Foo Maw Shen. The ARMC members have accounting or related financial management expertise and experience. The NC is of the view that the members of the ARMC have the necessary expertise and experience to discharge its functions. The objectives of the ARMC are to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control.

The written terms of reference defining its scope of authority and duties of the ARMC have been updated to better reflect the risk management and internal control role of the ARMC which include:

- To review the scope and results of the audit, whether it is cost effective and the independence and objectivity of the external auditors on an annual basis;
- To review risk governance and advise on the overall risk tolerance and strategy;
- To make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- To review with the external auditors on their audit report, management letter and management's response;
- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcement relating to the Company's financial performance;
- To review the quarterly, half-yearly and annual financial statements before submission to the Board;
- To review the assistance given by the management to the auditors;
- To make recommendations to the Board for the appointment, re-appointment and removal of internal auditors, and approve the terms of engagement and remuneration;
- To approve the hiring, removal, evaluation and compensation of the accounting/ auditing/ professional service firm to which the internal audit function is outsourced;
- To review with the internal auditors the scope of the internal audit and results of the internal audit report and management's response;
- To review the adequacy of the Company's internal controls and procedures for internal control and risk management and arrangements for all future related party transactions;
- To review interested party transactions periodically;
- To review the policy and arrangement by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- To oversee risk governance (refer to detailed disclosure under principle 11).

CORPORATE GOVERNANCE REPORT

The ARMC has full access to Management and the full discretion to invite any Director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

During the review of all audit and non-audit services provided by the external auditors, Messrs BDO LLP during the year, the ARMC was satisfied that the non-audit services provided by Messrs BDO LLP would not affect the objectivity and independence of the external auditor. The amount of fees paid to external auditors for audit and non-audit services for the financial year ended 31 December 2018 are set out on page 147 of the Annual Report. During the year, the ARMC also reviewed the scope and quality of the audits and independence and objectivity of the external auditors. The ARMC is satisfied that the external auditor, Messrs BDO LLP is able to meet the audit requirements and statutory obligation of the Company. The ARMC shall continue to review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The ARMC is satisfied with the independence of the external auditors. The ARMC has recommended to the Board the re-appointment of Messrs BDO LLP as the Company's external auditors at the forthcoming AGM.

The Board and the ARMC are satisfied that the appointment of different auditors for its overseas incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company is therefore in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST.

The ARMC meets at least four times a year. The ARMC meetings are attended by external auditors and where required, internal auditors and appropriate members of the executive management are invited to attend its meetings. In FY2018, the ARMC carried out the activities as set out above. The ARMC meets the auditors without the presence of management at least once annually. The ARMC received updates on changes in accounting standards and corporate governance from the external and internal auditors periodically.

The ARMC is kept abreast of changes to accounting standards and issues which have a direct impact on financial statements by the external auditors.

The Company has put in place a whistle-blowing framework, endorsed by the ARMC, where employees of the Company may, in confidence, raise their concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment. Details of the whistle-blowing policies and arrangements have been made available to all employees.

Other information pertaining to the ARMC is disclosed on page 70 of the Annual Report.

The ARMC has received the Audit Quality Indicators Disclosure Framework relating to FY2018 from the external auditor. The external auditor has reported to the ARMC on the Key Audit Matters ("KAM") in respect of FY2018 following completion of the audit of the Company's financial statements. The ARMC agreed with the rationale and determination of revenue from distribution of Information Technology ("IT") products and recoverability of trade receivables from third parties as KAM by the external auditors. The ARMC has considered the approach and methodology used by the external auditor and Management. The ARMC has reviewed the reasonableness and approach of the Management's assessment of the respective KAM and agreed with the opinion of the external auditors.

CORPORATE GOVERNANCE REPORT

None of the members nor the Chairman of the ARMC are former partners or Directors of the firms acting as the Group's external auditors.

Principle 13: Internal Audit

The Group outsources its internal audit function to Messrs Yang Lee & Associates ("YLA or "IA") and the internal auditor reports directly to the Chairman of the ARMC. The ARMC approves the appointment, evaluation and fees of the internal audit firm. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC.

The ARMC has reviewed and confirmed that YLA is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audits

The ARMC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the IA to perform its function.

The IA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The IA completed two reviews during the financial year ended 31 December 2018 in accordance with the internal audit plan approved by the ARMC. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

The ARMC is satisfied that the internal audit function is independent, effective and adequately resourced (being outsourced to a reputable professional service firm). Hence, it has appropriate standing within the Company.

Principle 14: Shareholder Rights

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholders' rights.

The Board allows all shareholders to exercise their voting rights by participation and voting at general meetings. Shareholders are informed about the voting procedures that govern general meetings of shareholders.

The Board will review its Constitution from time to time. Where amendment of its Constitution is required to align the relevant provisions with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

CORPORATE GOVERNANCE REPORT

Principle 15: Communication with Shareholders

The Company aims to engage in regular, effective and fair communication with shareholders, and be as descriptive, detailed and forthcoming as possible.

Its financial results are disclosed on a quarterly basis through SGXNET within the mandatory period and the information is also available on the Company's website www.multichem.com.sg. The Company's quarterly announcements are released within 45 days from the close of financial year.

Information on the Company's new initiatives or key developments are first disseminated via SGXNET and also made available on-line to shareholders in a timely and transparent manner with the same disclosure given publicly to all. Price sensitive information is announced through SGXNET. However, any information that may be regarded as undisclosable material information about the Group will not be given.

The Company does not have a policy on payment of dividends. However, declaration of dividend will be published in the financial results and dividend announcements via SGXNET with the objective of maximising value with the balance of current dividend and future growth. The Company has paid interim dividend tax exempt (1-tier) of 1.11 cent (Singapore) per ordinary share in September 2018. Subject to approval of members at the forthcoming AGM, the Directors have declared a final dividend tax exempt (1-tier) of 3.3 cents (Singapore) per ordinary share for FY2018.

Principle 16: Conduct of Shareholder Meetings

All shareholders of the Company receive the Annual Report and notice of AGM. The notice is also advertised in the press and made available on the website. At AGM, the Company encourages shareholder participation and shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

The Company's Constitution allow a member of the Company to appoint one or two proxies to attend and vote instead of the member. The Company allows a shareholder who is a Relevant Intermediary (as defined in the Companies Act, Cap. 50) to appoint more than two proxies to attend the AGM.

Shareholders have the opportunity to participate in and vote at general meeting of shareholders. All resolutions are voted by poll in the presence of independent scrutineers and the detailed results are released to the public via SGXNET after the meeting. As the present Constitution of the Company does not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general meetings. The introduction of absentia voting methods will be deferred until an appropriate time.

At every AGM, the chairpersons of the ARMC, NC and RC are present and available to address questions. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders and address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE REPORT

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

Minutes of general meetings include substantial comments or queries from shareholders and responses from the Board and management relating to the agenda of the meeting. These minutes are made available to shareholders upon their request.

DEALINGS IN SECURITIES

The Group has set an internal guideline relating to dealing in the Company's securities by the Company and its officers. The Company and its officers should not deal in the Company's securities

- (a) when in possession of unpublished material price sensitive information;
- (b) on short term considerations; and
- (c) during the period commencing two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's full year results and ending on the date of the particular announcement.

The abovementioned share trading guideline are disseminated through periodic reminders during the course of the year to the Company and its officers (including Directors and employees with access to price sensitive information in relation to the Company's shares). In addition, the guidelines require officers to disclose in writing to the executive Directors on their dealings in the Company's securities.

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions and ensures that all transactions with interested persons are reported in a timely manner for review by the ARMC.

There was no interested party transaction entered into with value more than \$100,000 during the financial year. The Company does not have a mandate on Interested Person Transactions.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2018.

CORPORATE
DIRECTORY**Chief Executive Officer**

Foo Suan Sai

Chief Operating Officer

Han Juat Hoon

Executive Director

Foo Fang Yong

Finance, HR & Administration

Lim Kok Soon Rayson

Goh Pei Chen Sandra

Zhao Yu

Purchasing & Logistics

Goh Kie Soon Geraldine

Siow Mee Lin

Distribution Division

Goh Tian Keong Winston

Pui Boon Tiong Eugene

Manufacturing Services Division

Koh Henry

Yang Wen Kuai

Lee Thiam Huat Daniel

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DIRECTORS' STATEMENT

The Directors of Multi-Chem Limited (the “Company”) present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Lim Keng Jin
Foo Suan Sai
Han Juat Hoon
Wong Meng Yeng
Neo Mok Choon
Foo Maw Shen
Foo Fang Yong

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Act, none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as follows:

	Direct Interest		Deemed Interest	
	Balance as at 1 January 2018	Balance as at 31 December 2018	Balance as at 1 January 2018	Balance as at 31 December 2018
	Number of ordinary shares			
Company				
Foo Suan Sai	36,564,625	36,564,625	25,345,125	25,345,125
Han Juat Hoon	25,345,125	25,345,125	36,564,625	36,564,625
Wong Meng Yeng	8,500	8,500	-	-
Foo Fang Yong	50,000	78,000	-	-
Neo Mok Choon	-	-	372,500	372,500

By virtue of Section 7 of the Act, Mr Foo Suan Sai and Mdm Han Juat Hoon are deemed to have interests in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year. Mr Foo Suan Sai is deemed to be interested in the shares held by his wife, Mdm Han Juat Hoon, and vice versa.

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholding, the Directors' interests as at 21 January 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under options as at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit and Risk Management Committee

The Audit and Risk Management Committee comprises the following members who, including the Chairman, are all non-executive and Independent Directors. The members of the Audit and Risk Management Committee during the financial year and at the date of this statement are:

Neo Mok Choon (Chairman)
Wong Meng Yeng
Lim Keng Jin
Foo Maw Shen

The Audit and Risk Management Committee performs the functions specified in Section 201B (5) of the Act. In performing those functions, the Audit and Risk Management Committee reviewed the audit plans and the overall scope of examination by the external and internal auditors of the Company. The Audit and Risk Management Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit and Risk Management Committee has reviewed the assistance provided by the Company's officers to the external and internal auditors and the financial statements of the Group and the statement of financial position of the Company as well as the Independent Auditor's Report thereon prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual.

The Audit and Risk Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Management Committee.

The Audit and Risk Management Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit and Risk Management Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their recommendation.

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

7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Foo Suan Sai
Director/Director

Han Juat Hoon

Singapore
18 March 2019

INDEPENDENT AUDITORS' REPORT

To the Members of Multi-Chem Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Multi-Chem Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 76 to 185 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

To the Members of Multi-Chem Limited

1. Revenue from distribution of Information Technology ("IT") products

Key Audit Matter

The Group derives revenue mainly from the distribution of IT products such as IT security hardware, software and vendor maintenance. The Group's revenue from distribution of IT products, recognised at a point in time, for the financial year ended 31 December 2018 was \$412.8 million, out of which \$107.6 million was recognised in the last quarter of the financial year when the Group's customers obtained control of the IT products based on customer acknowledgement for delivery of goods for local sales and the terms and conditions of shipping incoterms for overseas sales.

The appropriateness of the timing of revenue recognition arising from high trading volume in the last quarter of the financial year was identified as a key audit matter because we placed significant attention and efforts on this area as part of our audit approach. Revenue recognised for the financial year from distribution of IT products is also a significant measure of the Group's financial performance.

Related Disclosures

Refer to Notes 2.11 and 26 to the financial statements for the accounting policy on revenue recognition and segregation of revenue from contracts with customers.

Audit Response

Our procedures included, amongst others:

- We evaluated management's impact assessment for revenue from distribution of IT products upon the adoption of SFRS(I) 15 – *Revenue from contract with customers*;
- We performed internal control testing procedures on the key controls identified in the revenue cycle;
- We performed testing on the sales transactions throughout the financial year, on a sample basis, by examining relevant supporting documents such as delivery orders acknowledged by customer/ shipping documents and invoices to check that revenue was appropriately recognised;
- We performed cut-off procedures, for a sample of transactions, before and after the financial year, by examining relevant supporting documents such as delivery orders acknowledged by customer/ shipping documents and invoices to check that revenue was recognised in the appropriate financial year; and
- We checked the credit notes in relation to goods returned issued to customers subsequent to year-end to establish that revenue was recognised in the appropriate financial year.

2 Recoverability and Expected Credit Loss ("ECL") of trade receivables from third parties

Key Audit Matter

As at 31 December 2018, the Group had gross trade receivables from third parties amounting to \$118.5 million with loss allowance amounting to \$2.6 million. The recoverability of trade receivables from third parties is a key element of the Group's working capital management, which is managed on an ongoing basis by the Group's management. The Group's management oversees the setting of credit limits for the customers and approval of credit limits that are above certain thresholds.

The Group applied the "simplified approach" for assessing ECL for trade receivables from third parties. Under the simplified approach, the Group's management developed a provision matrix using historical credit loss rates which were adjusted to reflect the effects of the current conditions and its forecasts of future economic conditions, taking into account customers' country credit rating and historical provision trends. As a result, there are a number of significant judgements made by the Group's management in measuring the ECL.

INDEPENDENT AUDITORS' REPORT

To the Members of Multi-Chem Limited

2 Recoverability and Expected Credit Loss ("ECL") of trade receivables from third parties (Continued)

Key Audit Matter (Continued)

We focused on this area as a key audit matter as significant judgements are involved in developing and implementing the provision matrix to measure ECL on trade receivables from third parties.

Related Disclosures

Refer to Notes 2.9, 3.2, 12 and 36.1 to the financial statements for the accounting policy on impairment of trade receivables, key sources of estimation uncertainty, movement in loss allowance for third party trade receivables and credit risk relating to the Group's third party trade receivables respectively.

Audit Response

Our procedures included, amongst others:

- We performed analysis on the trade receivables ageing report collectively to identify any deterioration in turnover days;
- We assessed the historical payment trend, on-going business relationship and geographical profile of significant past due trade receivables;
- We checked subsequent collections relating to the Group's significant past due trade receivables;
- We verified management's basis of determining credit impaired trade receivables;
- We verified the Group's historical credit loss rates to the historical data, evaluated their reasonableness and tested the mathematical accuracy of the historical credit loss rates;
- We independently verified the external data sources used by the Group in deriving the adjustments to be made to historical credit loss rates to reflect future economic conditions and evaluated the reasonableness of the adjustments; and
- We assessed the adequacy of the Group's expected credit loss-related disclosures.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITORS' REPORT

To the Members of Multi-Chem Limited

Responsibilities of Management and Directors for the Financial Statements (Continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of Multi-Chem Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Leong Hon Mun Peter.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
18 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group			Company	
		31	31	1	31	1
		December 2018	December 2017	January 2017	December 2017	January 2017
		\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets						
Property, plant and equipment	4	12,451	10,571	17,431	2,299	1,784
Investment properties	5	-	-	-	2,525	2,637
Investments in subsidiaries	6	-	-	-	21,201	24,432
Club memberships	7	498	525	563	186	186
Deferred tax assets	8	2,607	2,415	2,056	-	-
Available-for-sale financial assets	9	-	4,092	4,290	-	4,092
Financial asset, at FVOCI	10	-	-	-	-	-
Financial asset, at FVPL	11	4,260	-	-	4,260	-
Trade receivables	12	1,504	320	679	-	-
Prepayments	13	468	552	636	468	552
		21,788	18,475	25,655	30,939	33,627
Current assets						
Inventories	14	31,310	31,391	28,976	305	355
Trade and other receivables	12	118,715	100,953	84,021	33,652	34,134
Prepayments	13	1,503	644	1,401	122	143
Current income tax recoverable		2,839	1,575	2,553	-	199
Derivative financial instruments	15	-	-	2	-	-
Fixed deposits	16	19,024	40,610	16,289	6,134	461
Cash and bank balances	16	37,562	36,215	34,484	374	12,440
		210,953	211,388	167,726	40,587	47,732
Less:						
Current liabilities						
Trade and other payables	17	85,984	82,518	69,406	2,059	2,735
Contract liabilities	26	12,086	8,948	5,483	8	-
Finance lease payables	18	-	29	117	-	29
Bank borrowings	19	19,558	24,373	9,495	10,353	16,883
Current income tax payable		1,696	1,452	967	14	-
Derivative financial instruments	15	2	7	7	-	-
		119,326	117,327	85,475	12,434	19,647
Net current assets		91,627	94,061	82,251	28,085	31,212

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

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Note	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Less:						
Non-current liabilities						
Contract liabilities	26	2,841	1,988	1,185	-	-
Finance lease payables	18	-	-	29	-	29
Bank borrowings	19	869	1,310	1,927	869	1,310
Provision for post-employee benefits	20	349	308	195	-	-
Deferred tax liabilities	8	482	65	4	-	-
		4,541	3,671	3,340	869	1,310
		108,874	108,865	104,566	58,223	60,402
						63,698
Equity						
Share capital	21	37,288	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	22	(465)	500	3,433	-	-
Available-for-sale reserve	23	-	470	341	-	470
Other reserves	24	3,499	5,222	5,222	-	-
Retained earnings	25	59,415	57,308	50,388	20,935	22,644
		99,737	100,788	96,672	58,223	60,402
Equity attributable to owners of the parent						
Non-controlling interests		9,137	8,077	7,894	-	-
Total equity		108,874	108,865	104,566	58,223	60,402
						63,698

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Revenue	26	431,330	415,951
Cost of sales		(370,594)	(355,753)
Gross profit		60,736	60,198
Other items of income			
Interest income		690	487
Other income	27	1,160	4,834
Other items of expense			
Selling and distribution costs		(26,036)	(25,169)
Administrative and other expenses		(23,953)	(24,402)
(Loss allowance)/reversal of allowance on third party trade receivables		(164)	138
Finance costs	28	(541)	(392)
Profit before income tax	29	11,892	15,694
Income tax expense	30	(5,219)	(3,855)
Profit for the financial year		6,673	11,839
Profit attributable to:			
Owners of the parent		5,565	10,967
Non-controlling interests		1,108	872
		6,673	11,839
		2018	2017
Earnings per share	31		
- Basic		6.18 cents	12.17 cents
- Diluted		6.18 cents	12.17 cents

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Profit for the financial year		6,673	11,839
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency differences on translation of foreign operations		(888)	(3,564)
Fair value gain on available-for-sale financial assets		-	129
		(888)	(3,435)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employee benefits	20	25	(74)
Income tax relating to items that will not be reclassified subsequently		-	-
Other comprehensive income for the financial year, net of tax		(863)	(3,509)
Total comprehensive income for the financial year		5,810	8,330
Total comprehensive income attributable to:			
Owners of the parent		4,625	8,089
Non-controlling interests		1,185	241
		5,810	8,330

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital \$'000	Foreign currency translation reserve/ (account) \$'000	Premium on acquisition of non-controlling interests \$'000	Available-for-sale reserve \$'000	Statutory reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 31 December 2017		37,288	500	(123)	470	5,345	57,308	100,788	8,077	108,865
Effect on adoption of SFRS(I) 9	37	-	-	-	(470)	-	(242)	(712)	(67)	(779)
Balance at 1 January 2018		37,288	500	(123)	-	5,345	57,066	100,076	8,010	108,086
Profit for the financial year		-	-	-	-	-	5,565	5,565	1,108	6,673
Other comprehensive income for the financial year										
Foreign currency differences on translation of foreign operations		-	(965)	-	-	-	-	(965)	77	(888)
Remeasurements of post-employee benefits	20	-	-	-	-	-	25	25	-	25
Total comprehensive income for the financial year		-	(965)	-	-	-	5,590	4,625	1,185	5,810
Contributions by and distributions to the owners of the parent										
Dividends	32	-	-	-	-	-	(4,964)	(4,964)	-	(4,964)
Transfer from statutory reserve	6	-	-	-	-	(1,723)	1,723	-	-	-
Total transactions with the owners of the parent		-	-	-	-	(1,723)	(3,241)	(4,964)	-	(4,964)
Transactions with non-controlling shareholders										
Dividends paid by a subsidiary		-	-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders		-	-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2018		37,288	(465)	(123)	-	3,622	59,415	99,737	9,137	108,874

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note	Share capital	Foreign currency translation reserve	Premium on acquisition of non-controlling interests	Available-for-sale reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	37,288	3,433	(123)	341	5,345	50,388	96,672	7,894	104,566
Profit for the financial year	-	-	-	-	-	10,967	10,967	872	11,839
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(2,933)	-	-	-	-	(2,933)	(631)	(3,564)
Remeasurements of post-employee benefits	20	-	-	-	-	(74)	(74)	-	(74)
Fair value gain on available-for-sale financial assets	23	-	-	129	-	-	129	-	129
Total comprehensive income for the financial year	-	(2,933)	-	129	-	10,893	8,089	241	8,330
Contributions by and distributions to the owners of the parent									
Dividends	32	-	-	-	-	(3,973)	(3,973)	-	(3,973)
Total transactions with the owners of the parent	-	-	-	-	-	(3,973)	(3,973)	-	(3,973)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary		-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2017	37,288	500	(123)	470	5,345	57,308	100,788	8,077	108,865

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Operating activities			
Profit before income tax		11,892	15,694
Adjustments for:			
Allowance made/(reversed) for doubtful third party trade receivables		164	(138)
Allowance made for inventory obsolescence		2,075	728
Bad third party trade receivables written off		283	-
Fair value change in financial asset, at FVPL		(131)	-
Fair value change in derivative financial instruments		(5)	2
Amortisation of club memberships		24	18
Depreciation of property, plant and equipment		2,143	2,813
Gain on disposal of plant and equipment		(126)	(3,668)
Interest expense		541	392
Interest income		(690)	(487)
Inventories written off		25	82
Plant and equipment written off		22	73
Unrealised foreign exchange (gain)/loss		(530)	1,976
Operating cash flows before working capital changes		15,687	17,485
Working capital changes:			
Inventories		(2,567)	(4,876)
Trade and other receivables		(21,384)	(25,638)
Prepayments		(789)	806
Trade and other payables, and contract liabilities		10,559	26,476
Provision for post-employee benefits		91	75
Cash generated from operations		1,597	14,328
Interest received		690	487
Income tax paid		(6,158)	(2,784)
Net cash (used in)/generated from operating activities		(3,871)	12,031
Investing activities			
Proceeds from disposal of plant and equipment		411	8,731
Purchase of property, plant and equipment	4	(4,751)	(1,655)
Net cash (used in)/generated from investing activities		(4,340)	7,076

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Financing activities			
Fixed deposits pledged		13,512	(19,138)
Proceeds from bank borrowings (Note A)		68,772	85,556
Repayments of bank borrowings (Note A)		(73,546)	(71,319)
Repayments of finance lease payables (Note A)		(29)	(117)
Interest paid		(541)	(392)
Dividends paid to owners of the parent	32	(4,964)	(3,973)
Dividends paid to non-controlling shareholders		(58)	(58)
Net cash generated from/(used in) financing activities		3,146	(9,441)
Net change in cash and cash equivalents		(5,065)	9,666
Cash and cash equivalents at beginning of financial year		57,152	49,990
Effects of exchange rate changes on cash and cash equivalents		(1,687)	(2,504)
Cash and cash equivalents at end of financial year	16	50,400	57,152

Note A: Reconciliation of liabilities arising from financing activities

	2017 \$'000	Cash flows \$'000	Non-cash change Foreign exchange differences \$'000	2018 \$'000
Bank borrowings (Note 19)	25,683	(4,774)	(482)	20,427
Finance lease payables (Note 18)	29	(29)	-	-
	25,712	(4,803)	(482)	20,427

	2016 \$'000	Cash flows \$'000	Non-cash change Foreign exchange differences \$'000	2017 \$'000
Bank borrowings (Note 19)	11,422	14,237	24	25,683
Finance lease payables (Note 18)	146	(117)	-	29
	11,568	14,120	24	25,712

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

Multi-Chem Limited is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 16H Enterprise Road, Singapore 627657. The Company's registration number is 198500318Z. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Group's ultimate controlling parties are Mr Foo Suan Sai and Mdm Han Juat Hoon.

The principal activities of the Company are those of investment holding and provision of value-added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricators and the distribution of specialty chemicals and other PCB related products and equipment to PCB fabricators.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 18 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group's and the Company's first financial statements prepared in accordance with SFRS(I). The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRS to SFRS(I) are disclosed in Note 37 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("S'000") as indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in compliance with SFRS(I) requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

Due to the transition from FRS to SFRS(I), the financial statements are required to apply all SFRS(I)s effective for annual periods beginning on or after 1 January 2018.

SFRS(I) and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT were issued but not yet effective, and have not been adopted early in these financial statements:

	Effective date (annual periods beginning on or after)
SFRS(I) 1-28 (Amendments) : Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9 (Amendments) : Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle	
- SFRS(I) 3 (Amendments) : Business combinations	1 January 2019
- SFRS(I) 11 (Amendments) : Joint arrangements	1 January 2019
- SFRS(I) 1-12 (Amendments) : Income Tax	1 January 2019
- SFRS(I) 1-23 (Amendments) : Borrowing Costs	1 January 2019
SFRS(I) 16 : Leases	1 January 2019
SFRS(I) INT 23 : Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19 Amendments : Plan amendment, curtailment or settlement	1 January 2019
SFRS(I) 3 (Amendments) : Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments) : Definition of Material	1 January 2020
SFRS(I) 17 : Insurance contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments) : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I) and SFRS(I) INT issued but not yet effective (Continued)

Consequential amendments were also made to various standards as a result of these new or revised standards.

Except as disclosed below, management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group expects to capitalise its operating leases on office premises and copier machines on the statement of financial position by recognising 'right-of-use' assets of \$3,164,000 and their corresponding lease liabilities for the present value of future lease payments of \$3,136,000. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives on the following bases:

	Years
Building	40
Freehold property	No depreciation
Leasehold properties	Over the lease terms of 25 to 56
Office plant and equipment	1 to 5
Factory plant and machinery	
- Factory machinery	8 to 10
- Other factory equipment	5

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The 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.

2.5 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the depreciable amounts over their estimated useful lives over the lease terms of 48 to 52 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.5 Investment properties (Continued)

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2.6 Club memberships

The club memberships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment loss, if any.

For club membership with expiry date, amortisation is calculated using the straight-line method to allocate the cost over its estimated useful life of 28 years.

The amortisation periods and amortisation method of club memberships are reviewed at the end of each financial year. The effects of any revisions are recognised in profit or loss when changes arise.

For club memberships with no expiry dates, the carrying amounts of club membership are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.7 Impairment of non-financial assets

At the end of each financial year, the Group and the Company review the carrying amounts of its non-financial 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 asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost in respect of chemicals and other PCB related products is determined on a weighted average basis. Cost in respect of IT products is determined based on the specific identification basis. The cost includes all costs of purchase and other costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business less estimated costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2.9 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Group and the Company become party to the contractual provisions of the instrument.

Financial assets

The Group and the Company classify their financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify their affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the provision matrix to determine the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for receivables from subsidiaries are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables and cash and bank balances in the consolidated statement of financial position.

Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Company have a strategic investment in unlisted entity which is not accounted for as subsidiary, associate or jointly controlled entity. For those equity investment, the Group and the Company have made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group and the Company consider this measurement to be the most representative of the business model for these assets. It is carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments' carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Financial assets at fair value through profit or loss ("FVPL")

Debt instrument that is held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies (Continued)**

2.9 **Financial instruments (Continued)**

Financial assets (Continued)

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial assets prior to 1 January 2018

Financial assets are recognised on the statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's and the Company's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Available-for-sale financial assets ("AFS")

Certain investments held by the Group and the Company are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies (Continued)**

2.9 **Financial instruments (Continued)**

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into 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 the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding deferred revenue and advance billings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's and the Company's accounting policy for borrowing costs (Note 2.15).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, The Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward currency contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits, net of fixed deposits pledged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies (Continued)**

2.11 **Revenue recognition**

PCB business

The Group's PCB business operates as a value-added supplier to PCB fabricators. The PCB business is divided into two main areas:

- provision of PCB drilling services, mainly precision drilling services to PCB fabricators; and
- distribution of specialty chemicals and other PCB related products and rental of machines to PCB fabricators.

i) **PCB drilling services**

Revenue from rendering of PCB drilling services includes providing in-country PCB drilling services and recognised at point in time upon the completion of drilling services. Customers are invoiced upon the completion of services.

ii) **Distribution of PCB related products**

Revenue are recognised at point in time when control of the products has been transferred, being when the goods are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

iii) **Rental of machines**

Rental income from leasing of PCB drilling machines is recognised over time on a straight-line basis over the term of the relevant leases.

IT business

The Group's IT business involves mainly distribution of hardware, software and vendor maintenance relating to internet and network products ("IT products"). These products provide the Group's customers with security and network performance requirements – from firewalls, web security, intrusion prevention and security analytics to cloud networking virtualisation.

The Group also employs a regional team of certified pre and post sales engineers to support the technical needs such as maintenance ("in-house maintenance services") of the products that IT business distributes. In-house maintenance services can be subscribed by the Group's customers for period ranging from twelve to thirty-six months. The Group's engineers deliver their in-house maintenance service either remotely via tele-conferencing, remote access via network connections or on-site service support.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition (Continued)

IT business (Continued)

The Group's revenue from IT business professional services are derived from the following areas:

- IT consultancy, solution design, scoping implementation, technical refresh for end-of-support equipment;
 - On-site deployment, implementation and migration;
 - Software/firmware upgrade; and
 - Ad-hoc services for emergency needs and requirements.
- i) Distribution of IT products

Revenue are recognised at point in time when control of the products have been transferred, being when the goods are delivered to the customers, the customers have full discretion to direct the use of the products, and there are no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the risk of obsolescence and loss have been transferred, and being acknowledged by customers for in-country sales. Whereas, for oversea sales, acknowledgement are in accordance with the terms and conditions of shipping incoterms. Revenue is shown net of value-added tax, returns, rebates, and discounts after eliminating sales within the Group.

The products sold to certain customers are subject to volume rebates based on aggregate sales over a specific period. Revenue from these sales are recognised based on the price specified in the contract, net of estimated volume rebate. Accumulated experience is applied to estimate and provide for the volume rebate, using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume rebate payable to customers in relation to sales made until the end of the reporting period. When customers are invoiced before products delivery, a contract liability is also recognised for such arrangement.

All products sold by the Group include standard warranty which are the responsibility of the Group's suppliers who owns the intellectual property rights of the products distributed. Therefore, no provision is made for warranty as they are not the liabilities of the Group.

- ii) In-house maintenance services

Revenue are recognised over time on a straight-line basis over the term of the in-house maintenance service level agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition (Continued)

IT business (Continued)

iii) Professional services

Revenue is recognised at a point in time when the customer has accepted or acknowledged on the services performed.

iv) Rental services

Revenue is recognised over time on a straight-line basis over the term of the agreement.

v) Training services

Revenue is recognised upon the completion of the training programme.

Interest income

Interest income is recognised on a time-apportionment basis using the effective interest method.

Commission income

When the Group and the Company act in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group and the Company. Commission income is recognised at a point in time upon the completion of a transaction in which the commission relates to.

2.12 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.13 Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.13 Employee benefits (Continued)

Defined benefit plans

Certain subsidiaries operates defined benefit pension plans, which are unfunded.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using discount rates as disclosed in Note 20 to the financial statements) at the end of the financial year reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the method of "Projected Unit Credit".

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate as disclosed in Note 20 to the financial statements to the net defined benefit liability or assets. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for estimated undiscounted liability for annual leave expected to be settled wholly within twelve months from the end of the financial year as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.14 Leases

Group as lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment 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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.15 to the financial statements.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessor

Operating leases

Rental income from operating leases (net of any incentives received from lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

2.15 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.16 Income tax

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

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.17 Foreign currencies transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.18 Dividends to Company's shareholders

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.20 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's and the Company's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Investments in Thailand subsidiaries

The Company and the Company's subsidiary hold 49% and 48.80% of all shares in its indirect subsidiaries, M-Solutions Technology (Thailand) Co., Ltd. ("MTTH") and E-Secure Asia Co., Ltd. ("ESTH") respectively.

There are loan agreements between the remaining shareholders (the "Borrowers") holding 51% in MTTH and 51.20% in ESTH and their respective immediate holding companies (the "Lenders"), M.Tech Holdings Pte. Ltd. and E-Secure Asia Pte. Ltd., whereby the shares held by the Borrowers have been pledged to the Lenders.

The terms of these pledge agreements include, inter alia:

- (a) the Borrowers agree to allow the Lenders to receive the dividends arising from the pledged shares; and
- (b) the Borrowers agree to appoint the Lenders to have rights to vote in the shareholders' meetings in place of the Borrowers.

Accordingly, the Group has determined that it has control of 100% of the voting rights in both MTTH and ESTH and they have been consolidated as wholly-owned subsidiaries of the Group.

The Group and the Company follow the guidance of SFRS(I) 1-36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories using the weighted average method for chemicals and other PCB related products and specific identification method for IT products. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group and the Company to reduce the value of their inventories. The carrying amounts of the Group's and the Company's inventories as at 31 December 2018 were \$31,310,000 and \$305,000 (2017: \$31,391,000 and \$355,000) respectively.

Loss allowance for impairment of trade and other receivables

Trade receivables

Management determines the expected loss arising from default for trade receivables, by using historical credit loss rates which were adjusted to reflect the effects of the current conditions and its forecasts of future economic conditions, taking into account customers' country credit rating and historical provision trends. A loss allowance amounted to \$2,610,000 was recognised as at 31 December 2018.

Loans due from subsidiaries

Management determines whether there is significant increase in credit risk of these subsidiaries since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of these subsidiaries. There is no significant increase in credit risk as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment

	Building \$'000	Freehold property \$'000	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Group						
Cost						
Balance at 1 January 2018	-	-	6,595	9,122	25,703	41,420
Additions	362	2,580	-	980	829	4,751
Disposals	-	-	-	(600)	(2,954)	(3,554)
Written off	-	-	-	(244)	(3)	(247)
Currency translation adjustment	(21)	(147)	21	(28)	(904)	(1,079)
Balance at 31 December 2018	341	2,433	6,616	9,230	22,671	41,291
Accumulated depreciation and impairment						
Balance at 1 January 2018	-	-	967	6,593	23,289	30,849
Depreciation for the financial year	3	-	153	1,063	924	2,143
Disposals	-	-	-	(488)	(2,781)	(3,269)
Written off	-	-	-	(222)	(3)	(225)
Currency translation adjustment	-	-	3	(31)	(630)	(658)
Balance at 31 December 2018	3	-	1,123	6,915	20,799	28,840
Carrying amount						
Balance at 31 December 2018	338	2,433	5,493	2,315	1,872	12,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment (Continued)

	Building \$'000	Freehold property \$'000	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Group (Continued)						
Cost						
Balance at 1 January 2017	-	-	6,791	9,488	57,242	73,521
Additions	-	-	-	1,631	24	1,655
Disposals	-	-	-	(1,457)	(30,390)	(31,847)
Written off	-	-	-	(163)	(246)	(409)
Currency translation adjustment	-	-	(196)	(377)	(927)	(1,500)
Balance at 31 December 2017	-	-	6,595	9,122	25,703	41,420

Accumulated depreciation and impairment

Balance at 1 January 2017	-	-	841	6,911	48,338	56,090
Depreciation for the financial year	-	-	154	1,247	1,412	2,813
Disposals	-	-	-	(1,159)	(25,625)	(26,784)
Written off	-	-	-	(146)	(190)	(336)
Currency translation adjustment	-	-	(28)	(260)	(646)	(934)
Balance at 31 December 2017	-	-	967	6,593	23,289	30,849

Carrying amount

Balance at 31 December 2017	-	-	5,628	2,529	2,414	10,571
Balance at 1 January 2017	-	-	5,950	2,577	8,904	17,431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment (Continued)

	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
Company				
Cost				
Balance at 1 January 2018	1,410	2,248	1,536	5,194
Additions	-	60	829	889
Disposals	-	(152)	-	(152)
Balance at 31 December 2018	1,410	2,156	2,365	5,931
Accumulated depreciation				
Balance at 1 January 2018	393	1,684	1,333	3,410
Depreciation for the financial year	52	185	107	344
Disposals	-	(122)	-	(122)
Balance at 31 December 2018	445	1,747	1,440	3,632
Carrying amount				
Balance at 31 December 2018	965	409	925	2,299
Cost				
Balance at 1 January 2017	1,410	2,247	2,035	5,692
Additions	-	278	24	302
Disposals	-	(201)	(517)	(718)
Written off	-	(76)	(6)	(82)
Balance at 31 December 2017	1,410	2,248	1,536	5,194
Accumulated depreciation				
Balance at 1 January 2017	341	1,674	1,416	3,431
Depreciation for the financial year	52	263	120	435
Disposals	-	(176)	(201)	(377)
Written off	-	(77)	(2)	(79)
Balance at 31 December 2017	393	1,684	1,333	3,410
Carrying amount				
Balance at 31 December 2017	1,017	564	203	1,784
Balance at 1 January 2017	1,069	573	619	2,261

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Property, plant and equipment (Continued)

As at 31 December 2018, the carrying amounts of office plant and equipment of the Group and the Company which were acquired under finance lease arrangement were \$Nil (2017: \$270,000 and \$270,000) respectively. Finance leased assets are pledged as security for the related finance lease payables (Note 18).

As at 31 December 2018, the carrying amounts of properties of the Group and the Company which were pledged as security for the related bank borrowings (Note 19) were \$Nil (2017: \$1,615,000 and \$Nil) respectively.

The details of the Group's freehold property is as follows:

Location	Description	Tenure
Suite 309/50 Holt Street, Surry Hills, New South Wales 2010, Australia	General office building	Freehold

The details of the Group's and the Company's leasehold properties are as follows:

Location	Description	Tenure
16H Enterprise Road, Singapore 627657	General office building	999 years leasehold from 17 October 1962
18 Boon Lay Way #05-113 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #05-114 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-109 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-110 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-111 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Investment properties

	Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cost	2,791	2,791	2,791
Accumulated depreciation	(266)	(210)	(154)
Carrying amount	2,525	2,581	2,637

Movements in accumulated depreciation are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	210	154
Depreciation for the financial year	56	56
Balance at end of financial year	266	210

The following amounts are recognised in profit or loss:

	Company	
	2018 \$'000	2017 \$'000
Rental income from investment properties	149	149
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	26	21

As at 31 December 2018, the carrying amount of investment properties which were pledged as security for the related bank borrowings (Note 19) were \$Nil (2017: \$1,615,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Investment properties (Continued)

The details of the Company's investment properties are as follows:

Location	Description	Tenure
18 Boon Lay Way #04-108 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #04-110 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #04-111 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003

The Company leased out its investment properties to its subsidiaries, M.Tech Holdings Pte. Ltd. and M.Tech Products Pte Ltd, under cancellable operating leases.

6. Investments in subsidiaries

	Company	
	31 December 2018 \$'000	31 December 2017 \$'000
Unquoted equity investments, at cost	26,953	34,003
Allowance for impairment losses	(5,752)	(9,571)
Carrying amount	21,201	24,432

Movements in allowance for impairment losses are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	9,571	9,571
Impairment written off upon liquidation of a subsidiary	(3,819)	-
Balance at end of financial year	5,752	9,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

Liquidation of a subsidiary

During the financial year, the Company's wholly-owned subsidiary incorporated in the People's Republic of China, Multi-Chem (Suzhou) Co., Ltd. ("Multi-Chem Suzhou"), had been wound up under member's voluntary liquidation on 6 August 2018. Accordingly, Multi-Chem Suzhou ceased to be a subsidiary of the Company. The impairment provided in previous financial year amounted to approximately \$3,819,000, have been derecognised upon liquidation of the subsidiary.

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December	December	January	December	December	January	
	2018	2017	2017	2018	2017	2017	
	%	%	%	%	%	%	
Held by the Company							
Multi-Chem (Suzhou) Co., Ltd. ^(c) (People's Republic of China)	-	100	100	-	-	-	Designing, manufacturing panel and microdrill, selling own products and providing relevant service, renting out machines
Multi-Chem Laser Technology (Suzhou) Co., Ltd. ^{(c), (m)} (People's Republic of China)	100	100	100	-	-	-	Designing, producing, processing PCB and related products, selling own products and providing relevant service
M.Tech Products Philippines, Inc. ^(a) (Philippines)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December	December	January	December	December	January	
	2018	2017	2017	2018	2017	2017	
	%	%	%	%	%	%	
Held by the Company (Continued)							
Multi-Chem Electronics (Kunshan) Co., Ltd. ^(c) (People's Republic of China)	100	100	100	-	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
Multi-Chem PCB (Kunshan) Co., Ltd. ^(c) (People's Republic of China)	100	100	100	-	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
M.Tech Holdings Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Investment holding and distribution of hardware and software relating to internet and network products and provision of maintenance services for such products
Held by M. Tech Holdings Pte. Ltd.							
M.Tech Products Pte Ltd. ^(a) (Singapore)	76.75	76.75	76.75	23.25	23.25	23.25	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December	December	January	December	December	January	
	2018	2017	2017	2018	2017	2017	
	%	%	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)							
M-Solutions Technology (Thailand) Co., Ltd. ^{(d),(e)} (Thailand)	49	49	49	51	51	51	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Security Technology Sdn. Bhd. ^(b) (Malaysia)	100	100	100	-	-	-	Distribution of information technology products and related services
SecureOneAsia Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Investment holding and provision of management services to its subsidiaries
M-Security Technology Indochina Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December 2018	December 2017	January 2017	December 2018	December 2017	January 2017	
	%	%	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)							
M.Tech (Shanghai) Co., Ltd. ^(c) (People's Republic of China)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
PT. M.Tech Products ^(f) (Indonesia)	99	99	99	1	1	1	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products (HK) Pte Limited ^(h) (Hong Kong)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products TW Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December 2018	December 2017	January 2017	December 2018	December 2017	January 2017	
	%	%	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)							
M. Tech Products Aust Pty Limited ⁽ⁱ⁾ (Australia)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
SecureOne India Holding Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Japan Kabushiki Kaisha ⁽ⁱ⁾ (Japan)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products and provision of maintenance services for such products
M.Tech Products New Zealand Limited ⁽ⁱ⁾ (New Zealand)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products and provision of maintenance services for such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December	December	January	December	December	January	
	2018	2017	2017	2018	2017	2017	
	%	%	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)							
M.Tech Products Korea Limited Liability Company ⁽ⁱ⁾ (South Korea)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products and provision of maintenance services for such products
M.Tech Products (UK) Pte Ltd ⁽ⁱ⁾ (United Kingdom)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
E-Secure Asia Pte. Ltd. ^(a) (Singapore)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M. Tech Products Pte Ltd							
M.SaaS Solutions Pte. Ltd. ^(a) (Singapore)	76.75	76.75	76.75	23.25	23.25	23.25	Software consultancy and implementation services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December 2018	December 2017	January 2017	December 2018	December 2017	January 2017	
	%	%	%	%	%	%	
Held by SecureOneAsia Pte. Ltd.							
M-Security Tech Philippines Inc. ^(a) (Philippines)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Myanmar Ltd. ⁽ⁱ⁾ (Republic of the Union of Myanmar)	100	100	100	-	-	-	Provision of installation and maintenance services for internet and network products
Held by SecureOne India Holding Pte. Ltd.							
M.Tech Solutions (India) Private Limited ⁽ⁱ⁾ (India)	99.99	99.99	99.99	0.01	0.01	0.01	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M-Security Technology Indochina Pte. Ltd.							
M-Security Technology Vietnam Company Limited ^(a) (Vietnam)	100	100	100	-	-	-	Provision of installation and related technical service of hardware and software relating to internet and network products and distribution of such products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held			Proportion of ownership interest held by non-controlling interests			Principal activities
	31	31	1	31	31	1	
	December	December	January	December	December	January	
	2018	2017	2017	2018	2017	2017	
	%	%	%	%	%	%	
Held by E-Secure Asia Pte. Ltd.							
E Fortify Asia Sdn. Bhd. ^(b) (Malaysia)	100	100	100	-	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
E-Secure Asia Co., Ltd. ^{(d),(e)} (Thailand)	48.80	48.80	48.80	51.20	51.20	51.20	Distribution of IT products and maintenance services

Notes:

- (a) Audited by BDO LLP, Singapore
- (b) Audited by BDO PLT, Malaysia
- (c) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China
- (d) Audited by Dharmniti Auditing Co., Ltd, Thailand
- (e) Deemed to be a subsidiary as the Company has power, exposure to variable returns and the ability to use its power to affect those variable returns over the subsidiary.
- (f) Audited by KAP Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited
- (g) Audited by Mariano Abueme & Co., Philippines
- (h) Audited by BDO Limited, Hong Kong
- (i) Audited by LWK Chartered Accountants, Australia, a member of Nexia International
- (j) Not required to be audited and not considered as significant subsidiaries as defined under Rule 718 of the SGX Listing Manual
- (k) Audited by Nexia Stt Vietnam Co., Ltd, Vietnam
- (l) Audited by MSKA & Associates Chartered Accountants, India, a member firm of BDO International Limited
- (m) On 6 November 2018, the Board of Directors of the Company approved that its wholly owned subsidiary incorporated in the People's Republic of China, Multi-Chem Laser Technology (Suzhou) Co., Ltd, to be wound up under member's voluntary liquidation. However, the Group has not derecognised the investment in subsidiary as the liquidation process is on-going as at 31 December 2018.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

Non-controlling interests

Summarised financial information in relation to the subsidiary that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	M.Tech Products Pte Ltd		
	2018	2017	
	\$'000	\$'000	
Revenue	157,593	141,593	
Profit before income tax	5,931	4,171	
Income tax expense	(1,072)	(288)	
Profit after income tax	4,859	3,883	
Profit allocated to NCI	1,130	903	
Other comprehensive income allocated to NCI	-	-	
Total comprehensive income allocated to NCI	1,130	903	
Dividends paid to NCI	(58)	(58)	
Cash flows (used in)/generated from operating activities	(2,762)	4,469	
Cash flows generated from/(used in) investing activities	9	(662)	
Cash flows generated from/(used in) financing activities	1,283	(1,832)	
Net cash (outflows)/inflows	(1,470)	1,975	
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Assets:			
Current assets	74,726	71,990	52,671
Non-current assets	4,254	3,771	4,224
Liabilities:			
Current liabilities	36,634	38,967	22,593
Non-current liabilities	2,471	1,571	-
Net assets	39,875	35,223	34,302
Accumulated non-controlling interests	9,266	8,189	7,975

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Investments in subsidiaries (Continued)

Significant restriction

Cash and bank balances of \$12,735,000 (2017: \$16,485,000), equivalent to RMB64,676,000 (2017: RMB80,103,000), held with subsidiaries in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

7. Club memberships

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cost	578	581	603	186	186	186
Accumulated amortisation	(80)	(56)	(40)	-	-	-
Carrying amount	498	525	563	186	186	186

Movements in cost are in relation to currency translation adjustment.

Movements in accumulated amortisation are as follows:

	Group		Company	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Balance at beginning of financial year	56	40	-	-
Charge for the financial year	24	18	-	-
Currency translation adjustment	-	(2)	-	-
Balance at end of financial year	80	56	-	-

Club memberships comprise memberships for golf clubs in the People's Republic of China and Singapore. As the club memberships do not have quoted market prices in an active market and there are no other available methods to reasonably estimate the fair values, it is not practicable to determine the fair values of the club memberships with sufficient reliability. Club memberships of subsidiaries which are subject to amortisation over their useful lives have remaining amortisation periods of 8 to 22 (2017: 9 to 23) years with a carrying amount of \$312,000 (2017: \$339,000).

As at 31 December 2018, the Group and the Company had club memberships held in trust by Directors of the Company with carrying amount of \$393,000 (2017: \$401,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Deferred tax assets/(liabilities)

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Deferred tax assets	2,607	2,415	2,056
Deferred tax liabilities	(482)	(65)	(4)

Movements in deferred tax assets are as follows:

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	2,415	2,056
Credit to profit or loss (Note 30)	255	439
Currency translation adjustment	(63)	(80)
Balance at end of financial year	2,607	2,415

Movements in deferred tax liabilities are as follows:

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	(65)	(4)
Charge to profit or loss (Note 30)	(416)	(59)
Currency translation adjustment	(1)	(2)
Balance at end of financial year	(482)	(65)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Deferred tax assets/(liabilities) (Continued)

The following are the major deferred tax assets recognised by the Group and the movements during the financial year.

	Provisions \$'000	Unutilised tax losses \$'000	Other temporary differences \$'000	Total \$'000
Group				
Balance at 1 January 2017	1,417	434	205	2,056
Credit to profit or loss	254	19	166	439
Currency translation adjustment	11	(33)	(58)	(80)
At 31 December 2017	1,682	420	313	2,415
Credit/(charge) to profit or loss	82	(66)	239	255
Currency translation adjustment	(72)	(17)	26	(63)
At 31 December 2018	1,692	337	578	2,607

Deferred tax assets are recognised for provisions, unutilised tax losses and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable.

The following were the major deferred tax liabilities recognised by the Group and the movements during the financial year.

	Accelerated tax depreciation \$'000	Provisions \$'000	Others \$'000	Total \$'000
Group				
Balance at 1 January 2017	4	4	(12)	(4)
(Charge)/Credit to profit or loss	(7)	62	(114)	(59)
Currency translation adjustment	(1)	2	(3)	(2)
At 31 December 2017	(4)	68	(129)	(65)
Credit/(Charge) to profit or loss	4	(69)	(351)	(416)
Currency translation adjustment	-	1	(2)	(1)
At 31 December 2018	-	-	(482)	(482)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Available-for-sale financial assets

	Group and Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Unquoted equity shares, at cost	-	50	50
Investment in life insurance plan, at fair value	-	4,092	4,290
	-	4,142	4,340
Allowance for impairment losses	-	(50)	(50)
	-	4,092	4,290

Investment in unquoted equity shares

The investment in unquoted equity shares are stated at cost less impairment loss since there is no quoted market price in an active market and fair value cannot be reliably measured. The Group and the Company do not have intention to dispose the unquoted equity shares in the near future. There is no movement in allowance for impairment losses made for investment in unquoted equity shares.

Investment in life insurance plan

Movements in the investment in life insurance plan is as follows:

	Group and Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	-	4,290
Fair value change recognised in other comprehensive income	-	129
Exchange differences charged to profit or loss	-	(327)
Balance at end of financial year	-	4,092

The investment in life insurance plan pertains to the Jade Ultra Global Generations Universal Life Insurance Policy (the "Policy") purchased by the Company for a Director with a sum insured of US\$8,500,000 with a guaranteed return of 4.2% per annum within the 1 year lock-in period, after which, a variable return will be received, as determined by the insurer. On initial recognition, the single premium paid on the Policy amounted to US\$703,000, equivalent to approximately \$922,000 (Note 13). The investment is measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses and foreign exchange gains and losses which are recognised in profit or loss.

The Policy is pledged as security for the related bank borrowings (Note 19).

The available-for-sale financial assets are denominated in United States dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Financial asset, at FVOCI

	Group and Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Unquoted equity shares	50	-	-
Allowance for impairment losses	(50)	-	-
	-	-	-

Investment in unquoted equity shares

The Group and the Company have designated the investment in unquoted equity shares previously classified as available-for-sale financial assets in financial year ended 31 December 2017, to be measured as fair value through other comprehensive income ("FVOCI") as at 1 January 2018 (Note 9).

* See Note 37 to the financial statements on the details of reclassification of available-for-sale financial assets as at 1 January 2018 on the adoption of SFRS(I) 9.

11. Financial asset, at FVPL

	Group and Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Investment in life insurance plan, at fair value	4,260	-	-

Movements in the investment in life insurance plan is as follows:

	Group and Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	4,092	-
Fair value change recognised in profit or loss	131	-
Exchange differences charged to profit or loss	37	-
Balance at end of financial year	4,260	-

The Group and the Company have designated the investment in life insurance plan previously classified as available-for-sale financial assets in financial year ended 31 December 2017, to be measured as fair value through profit or loss ("FVPL") as at 1 January 2018. The cumulative fair value change in the available-for-sale reserve of \$470,000 (Note 37) has been reclassified to retained earnings as at 1 January 2018 and subsequent fair value change has been recognised in profit or loss (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Financial asset, at FVPL (Continued)

The Policy is pledged as security for the related bank borrowings (Note 19).

The investment in life insurance plan is denominated in United States dollar.

* See Note 37 to the financial statements on the details of reclassification of available-for-sale financial assets as at 1 January 2018 on the adoption of SFRS(I) 9.

12. Trade and other receivables

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Non-current assets						
Trade receivables - third parties	1,504	320	679	-	-	-
Current assets						
Trade receivables - third parties	116,949	98,516	83,030	660	582	796
Allowance for doubtful trade receivables - third parties	(2,610)	(1,730)	(2,402)	-	-	-
	114,339	96,786	80,628	660	582	796
Non-trade receivables - third parties	3,423	2,854	2,158	15	12	5
- subsidiaries	-	-	-	32,973	33,536	32,260
	117,762	99,640	82,786	33,648	34,130	33,061
Deposits	447	430	454	4	4	4
Value added tax	506	883	781	-	-	-
Total current trade and other receivables	118,715	100,953	84,021	33,652	34,134	33,065
Total trade and other receivables	120,219	101,273	84,700	33,652	34,134	33,065

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Trade and other receivables (Continued)

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 (2017: 30 to 120) days credit terms.

Non-current trade receivables due from third parties are unsecured, non-interest bearing and expected to be settled within 2 to 4 years (2017: 2 to 4 years).

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand, except for an amount due from a subsidiary of \$32,973,000 (2017: \$33,536,000) which bears an interest rate of 2% (2017: 1%) per annum.

The carrying amount of non-current other receivables approximate the fair value as at the end of the financial year as the impact of discounting is insignificant.

Movements in allowance for doubtful third party trade receivables were as follows:

	Group	
	2018	2017
	\$'000	\$'000
Balance at beginning of financial year under FRS 39	1,730	2,402
Adoption of SFRS(I) 9	779	-
Balance at beginning of financial year under SFRS(I) 9	2,509	2,402
Allowance (reversed)/made during the financial year		
- lifetime expected credit loss, not credit impaired	224	-
- reversal for lifetime expected credit loss, credit impaired	(60)	(138)
Bad debt receivables written off	-	(429)
Currency translation adjustment	(63)	(105)
Balance at end of financial year	2,610	1,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Trade and other receivables (Continued)

The Group's allowance for doubtful third party trade receivables of approximately \$164,000 (2017: \$Nil) was included in "loss allowance on third party trade receivables" line item in profit or loss during the financial year.

As at 31 December 2018, trade receivables of \$283,000 were written off and charged to profit or loss due to liquidation and cessation of operations of the customers.

The Group reversed an allowance for doubtful third party trade receivables of \$Nil (2017: \$138,000) which was included in "reversal of loss allowance on third party trade receivables" line item in profit or loss subsequent to the recovery of the related receivables.

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	2,854	3,390	4,290	20,648	23,380	18,385
United States dollar	74,350	51,305	41,689	12,991	10,751	14,675
Chinese renminbi	11,683	12,850	12,832	13	-	-
Thailand baht	6,291	2,787	5,179	-	3	5
Indian rupee	8,781	9,678	6,363	-	-	-
Ringgit Malaysia	4,994	5,843	3,532	-	-	-
New Taiwan dollar	2,778	3,672	3,021	-	-	-
Australian dollar	4,358	6,449	4,932	-	-	-
Others	4,130	5,299	2,862	-	-	-
	120,219	101,273	84,700	33,652	34,134	33,065

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Prepayments

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Non-current	468	552	636	468	552	636
Current	1,503	644	1,401	122	143	172
	1,971	1,196	2,037	590	695	808

The Group's and the Company's prepayments classified as non-current assets represent prepaid insurance premium in relation to the life insurance plan purchased for a Director (Note 9 and 11).

14. Inventories

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Trading goods	31,310	31,391	28,976	305	355	297

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to \$355,543,000 (2017: \$338,811,000).

During the financial year, the Group and the Company carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for inventory obsolescence and inventories written off of \$2,075,000 and \$25,000 (2017: \$728,000 and \$82,000) respectively that have been included in "cost of sales" line item in profit or loss.

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Derivative financial instruments

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Derivative financial instruments			
Assets			
- Forward currency contracts	-	-	2
Liabilities			
- Forward currency contracts	(2)	(7)	(7)

The Group uses forward currency contracts to manage some of its foreign currency transaction exposure. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives did not qualify for hedge accounting.

The maximum exposure to credit risk at the end of the financial year is the fair value of the derivative financial instruments in the statements of financial position.

The following details the foreign currency forward contracts outstanding as at each reporting period.

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Foreign currency forward contracts			
Contract/Notional amount			
- United States dollar	490	640	1,455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Derivative financial instruments (Continued)

The details of forward currency contracts entered are as follows:

	Average exchange rate			Foreign currency			Contract value			Fair value		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018 FC\$'000	31 December 2017 FC\$'000	1 January 2017 FC\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Group												
<i>Sell Australian dollar</i>												
Less than 1 month	-	1	-	-	300	-	-	314	-	-	(1)	-
<i>Sell Malaysian ringgit</i>												
Less than 1 month	3.06	3.07	3.07	1,500	1,000	1,340	490	326	437	(2)	(6)	2
<i>Sell Indonesian rupiah</i>												
Less than 2 months	-	-	9,393	-	-	9,564,500	-	-	1,018	-	-	(7)
							490	640	1,455	(2)	(7)	(5)

16. Cash and bank balances

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Cash and bank balances	37,562	36,215	34,484	374	12,440	731
Fixed deposits	19,024	40,610	16,289	6,134	461	1,095
	56,586	76,825	50,773	6,508	12,901	1,826
Fixed deposits pledged with banks	(6,186)	(19,673)	(783)			
Cash and cash equivalents as per consolidated statement of cash flows	50,400	57,152	49,990			

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Cash and bank balances (Continued)

Fixed deposits mature on varying dates between 2 days to 5 months (2017: 2 days to 1 month) from the end of the financial year. The effective interest rates on the fixed deposits range from 0.15% to 3.00% (2017: 0.44% to 3.00%) per annum.

As at 31 December 2018, the fixed deposits of the Group amounting to \$6,186,000 (2017: \$19,673,000) were pledged to banks for bankers' guarantees issued on behalf of the Group and as security for banking facilities as disclosed in Note 19 to the financial statements.

Cash and bank balances included in the statements of financial position are denominated in the following currencies:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	1,040	1,327	1,710	201	175	204
United States dollar	16,717	38,666	23,127	154	12,612	835
Chinese renminbi	18,098	16,013	9,669	6,134	-	-
Ringgit Malaysia	5,619	1,845	1,505	-	-	-
Thailand baht	2,353	3,125	2,509	-	-	-
Indian rupee	1,765	4,943	5,595	-	-	-
Australian dollar	5,652	5,154	2,026	-	-	731
Others	5,342	5,752	4,632	19	114	56
	56,586	76,825	50,773	6,508	12,901	1,826

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17. Trade and other payables

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Trade payables						
- third parties	60,939	59,243	51,123	77	94	153
Non-trade payables						
- third parties	14,032	7,404	7,438	60	63	62
- subsidiaries	-	-	-	7	-	198
Accrued operating expenses	8,553	12,987	9,213	1,872	2,527	2,430
Value added tax	2,460	2,884	1,632	43	51	92
Total trade and other payables	85,984	82,518	69,406	2,059	2,735	2,935

Trade and non-trade payables are unsecured, non-interest bearing and are generally on 30 to 90 (2017: 30 to 90) days credit terms.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Singapore dollar	5,855	6,763	6,158	1,962	2,638	2,593
United States dollar	59,029	59,023	48,655	89	91	146
Chinese renminbi	2,008	4,077	5,546	-	-	189
Ringgit Malaysia	2,972	1,450	905	-	-	-
Thailand baht	1,313	1,352	1,552	-	-	-
Australian dollar	8,802	5,175	2,884	-	-	-
New Taiwan dollar	720	725	493	3	2	-
Indonesian rupiah	752	400	766	-	-	-
Indian rupee	3,081	2,734	1,932	-	-	-
Others	1,452	819	515	5	4	7
	85,984	82,518	69,406	2,059	2,735	2,935

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Finance lease payables

	Minimum lease payments \$'000	Future finance charges \$'000	Present value of minimum lease payments \$'000
Group and Company			
31 December 2018			
Current liabilities			
Within one year	-	-	-
31 December 2017			
Current liabilities			
Within one year	30	(1)	29
1 January 2017			
Current liabilities			
Within one year	120	(3)	117
Non-current liabilities			
After one year but within five years	30	(1)	29
	150	(4)	146

The finance lease payables are due to financial institutions.

The carrying amounts of non-current finance lease payables approximate their fair values as at the end of the financial year.

The finance lease term is Nil (2017: 3) years. The average effective interest rates for finance lease payables range from Nil% (2017: 4.35%) per annum.

Interest rate is fixed at the contract date and is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and the Company's payables under finance leases are secured by the leased assets, which will revert to the lessor in the event of default by the Group and the Company.

The finance lease payables are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Bank borrowings

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current liabilities						
Secured						
Short term loans	5,750	15,746	525	5,750	9,910	525
Term loan I	-	24	284	-	24	284
Term loan II	453	449	486	453	449	486
	6,203	16,219	1,295	6,203	10,383	1,295
Unsecured						
Short term loans	13,355	8,154	8,200	4,150	6,500	-
	19,558	24,373	9,495	10,353	16,883	1,295
Non-current liabilities						
Secured						
Term loan I	-	-	24	-	-	24
Term loan II	869	1,310	1,903	869	1,310	1,903
	869	1,310	1,927	869	1,310	1,927
	20,427	25,683	11,422	11,222	18,193	3,222

The average effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Short term loans	2.19	1.71	2.41	1.68
Term loan I	-	2.36	-	2.36
Term loan II	3.55	2.66	3.55	2.66

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Bank borrowings (Continued)

Secured

Short term loans are secured against fixed deposits placed with financial institutions (Note 16).

Term loan I from a financial institution is repayable over 60 months commencing from 15 February 2013 and secured by certain properties of the Group (Note 4) and investment properties of the Company (Note 5) respectively.

Term loan II from a financial institution is repayable over 83 months commencing from 15 January 2015 and secured by the financial asset, at FVPL of the Company (Note 11).

As at the end of the financial year, the Group and the Company have banking facilities as follows:

	Group		Company	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Banking facilities granted	133,322	137,720	78,822	67,283
Banking facilities utilised	20,427	25,683	11,222	18,193

Bank borrowings are denominated in the following currencies:

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Singapore dollar	19,105	23,924	9,033	9,900	16,434	833
United States dollar	1,322	1,759	2,389	1,322	1,759	2,389
	20,427	25,683	11,422	11,222	18,193	3,222

The carrying amounts of non-current bank borrowings approximate their fair values as at the end of the financial year as the interest rates are re-priced frequently.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Provision for post-employee benefits

The Group recognises provision for post-employment benefits for all its permanent employees in Indonesia in accordance with Indonesian Labour Law No. 13/2003. The program is not funded by the Group. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method".

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Provision for employee service entitlement benefits			
- Post-employment benefit program ("Plan A")	326	283	177
- Other long-term employee benefit program ("Plan B")	23	25	18
	349	308	195
Present value of provision for post-employee benefits	374	344	185
Currency alignment	(25)	(36)	10
Net benefit liability	349	308	195

The amounts recognised in profit or loss in respect of these employee benefits are as follows:

	Group	
	2018 \$'000	2017 \$'000
Current services costs	81	60
Past services costs	-	-
Interest costs	21	15
Actuarial gain	1	-
Foreign exchange rate effect	1	-
	104	75

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Provision for post-employee benefits (Continued)

Changes in the present value of the provision for post-employee benefits are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Balance at beginning of financial year	308	195
Charge to profit or loss	104	75
Net remeasurements of post-employee benefits recognised in other comprehensive income	(25)	74
Repayment made during the financial year	(13)	-
Currency realignment	(25)	(36)
Balance at end of financial year	349	308

The cost of providing for employee benefits is calculated by independent actuaries. The actuarial valuations were carried out using the following key assumptions:

	Group		
	31 December 2018	31 December 2017	1 January 2017
Financial assumptions:			
Annual discount rate			
- Plan A	8.75%	7.50%	8.75%
- Plan B	2.86%	2.58%	2.79%
Annual salary growth rate	10.00%	10.00%	10.00%
Demographic assumptions:			
Retirement age	55 years	55 years	55 years

The weighted average duration of the post-employee benefits at the end of the financial year is 18.48 years (2017: 19.07 years).

Significant actuarial assumptions for the determination of the defined obligation are annual discount rate and annual salary growth. No sensitivity analysis is disclosed as the effect of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, will not have a significant effect on the defined obligation valuations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Share capital

	Group and Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares					
	'000	'000	'000	\$'000	\$'000	\$'000
Issued and fully-paid	90,095	90,095	90,095	37,288	37,288	37,288

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

22. Foreign currency translation (account)/reserve

Foreign currency translation (account)/reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

23. Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

24. Other reserves

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Premium on acquisition of non-controlling interests	(123)	(123)	(123)
China statutory reserve	3,581	5,304	5,304
Thailand statutory reserve	41	41	41
	3,499	5,222	5,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Other reserves (Continued)

Premium on acquisition of non-controlling interests

Premium on acquisition of non-controlling interests is the effect of transactions with non-controlling interests if there are no changes in control and the transactions will no longer result in goodwill or gains or losses.

China statutory reserve

According to the relevant regulations in the People's Republic of China ("PRC") and the Articles of Association of the PRC subsidiaries, they are required to transfer 10% of their profit after income tax to the statutory reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

Thailand statutory reserve

Under the provisions of the Civil and Commercial Code of Thailand, the subsidiary in Thailand is required to set aside as legal reserve at least 5% of its profit at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution. The subsidiary in Thailand had already appropriated retained earnings as legal reserve amounting to Thailand baht 1,000,000 (or \$41,000) equivalent to 10% of the authorised capital.

The movements of the other reserves of the Group are presented in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Retained earnings

	Company	
	31 December 2018 \$'000	31 December 2017 \$'000
Retained earnings	20,935	26,069

Movements of retained earnings of the Company are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	22,644	26,069
Effect on adoption of SFRS(I) 9 (Note 37)	470	-
Total comprehensive income for the financial year	2,785	548
Dividends (Note 32)	(4,964)	(3,973)
Balance at end of financial year	20,935	22,644

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Revenue

Disaggregation of revenue

The Group and the Company have disaggregated revenue into various categories in the following table:

	At a point time		Group Over time		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PCB business						
- PCB services	5,119	12,029	-	-	5,119	12,029
- Distribution of PCB related products	1,009	1,242	-	-	1,009	1,242
- Rental of machines	-	-	575	694	575	694
IT business						
- Distribution of IT products	412,795	391,993	-	-	412,795	391,993
- In-house maintenance services	-	-	6,560	6,216	6,560	6,216
- Professional services	5,003	3,159	-	-	5,003	3,159
- Rental services	-	-	61	176	61	176
- Training services	208	442	-	-	208	442
	424,134	408,865	7,196	7,086	431,330	415,951

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Revenue (Continued)

Contract liabilities

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Non-current liabilities						
Deferred revenue	2,841	1,988	1,185	-	-	-
Current liabilities						
Advance billings	6,514	3,951	2,081	8	-	-
Deferred revenue	3,539	3,403	2,778	-	-	-
Rebate to customers	2,033	1,594	624	-	-	-
Total current contract liabilities	12,086	8,948	5,483	8	-	-
Total contract liabilities	14,927	10,936	6,668	8	-	-

a) Significant changes in contract liabilities

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of financial year	10,936	6,668	-	-
Balance recognised as revenue during the year	(5,912)	(4,553)	-	-
Invoice issued during the year and not recognised as revenue	10,031	9,250	8	-
Currency translation adjustment	(128)	(429)	-	-
Balance at end of financial year	14,927	10,936	8	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Revenue (Continued)

Contract liabilities (Continued)

a) Significant changes in contract liabilities (Continued)

Advanced billings to customers are for products and services to be delivered in future financial periods.

Deferred revenue represents unrecognised revenue from maintenance contracts expiring in future financial periods.

The Group offers volume rebates to certain distribution contracts in IT business. Revenue is presented net of rebates accrued.

b) Remaining performance obligations

Certain delivery of IT products and in-house maintenance services have been entered into for which both:

- the Group's right to consideration does not correspond directly with the performance; and
- the original contractual period was greater than 12 months.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2019	2020	2021	2022	2023	2024	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Advance billings	6,514	-	-	-	-	-	6,514
Deferred revenue	3,539	1,382	766	439	204	50	6,380
	10,053	1,382	766	439	204	50	12,894

Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable that there will not be a significant future reversal in the amount of revenue recognised when the amount of volume rebates has been determined. Therefore, the above amounts do not include the amounts of such variable consideration that has been constrained.

The Group has applied the exemption in paragraph C5(d) of the transitional rules in SFRS(I) 15 and therefore has not disclosed the amount of revenue that will be recognised in future periods for the comparative period.

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27. Other income

	Group	
	2018	2017
	\$'000	\$'000
Commission income	74	204
Fair value change in financial asset, FVPL	131	-
Fair value change in derivative financial instrument	5	-
Freight income	510	333
Gain on disposal of plant and equipment	126	3,668
Government grant	212	150
Incentive received	-	2
Sale of drill bits	20	221
Scrap sales	32	100
Others	50	156
	1,160	4,834

28. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expenses:		
- bank borrowings	412	387
- finance leases	-	3
- finance receivables	129	-
- others	-	2
	541	392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges/(credits):

	Group	
	2018	2017
	\$'000	\$'000
<i>Cost of sales</i>		
Allowance made for inventory obsolescence	2,075	728
Inventories written off	25	82
Depreciation of property, plant and equipment	905	1,380
<i>Selling and distribution costs</i>		
Entertainment	1,843	1,665
Sales commission	3,480	3,175
Travelling	1,205	1,256
<i>Administrative and other expenses</i>		
Amortisation of club memberships	24	18
Bad third party trade receivables written off	283	-
Depreciation of property, plant and equipment	1,238	1,433
Directors' fees		
- Directors of the Company	199	199
Fair value change in derivative financial instruments	-	2
Foreign exchange loss, net	2,506	1,198
Audit fees		
- auditors of the Company	149	149
- other auditors	143	144
Non-audit fees		
- auditors of the Company	-	-
- other auditors	18	3
Operating lease expenses	1,482	1,362
Plant and equipment written off	22	73

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Profit before income tax (Continued)

The profit before income tax also includes:

	Group	
	2018	2017
	\$'000	\$'000
Employee benefits		
- salaries and other short term benefits	31,687	30,689
- post-employment benefits	3,436	3,245
	35,123	33,934

The employee benefits are recognised in the following line items of profit or loss:

	Group	
	2018	2017
	\$'000	\$'000
Cost of sales	1,464	1,367
Selling and distribution costs	22,271	21,229
Administrative and other expenses	11,388	11,338
	35,123	33,934

Included in the staff costs were key management remuneration as disclosed in Note 35 to the financial statements.

30. Income tax expense

	Group	
	2018	2017
	\$'000	\$'000
Current income tax		
- current financial year	4,679	4,165
- under provision in prior financial years	379	70
	5,058	4,235
Deferred tax		
- current financial year	(211)	(356)
- under/(over) provision in prior financial years	372	(24)
	161	(380)
Total income tax expense recognised in profit or loss	5,219	3,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Income tax expense (Continued)

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

	Group	
	2018 \$'000	2017 \$'000
Profit before income tax	11,892	15,694
Income tax calculated at Singapore's statutory income tax rate of 17%	2,022	2,668
Effect of different income tax rates in other countries	290	1,061
Effect of expenses not deductible for income tax purposes	506	899
Effect of partial tax exemption and tax relief	(141)	(418)
Deferred tax assets not recognised	1,262	112
Utilisation of deferred tax assets not recognised previously	(9)	(1,074)
Under provision of current income tax in prior financial years	379	70
Under/(Over) provision of deferred tax in prior financial years	372	(24)
Withholding tax paid overseas	547	594
Others	(9)	(33)
	5,219	3,855

Unrecognised deferred tax assets

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	1,379	3,284
Utilised during the financial year	(9)	(1,074)
Amount not recognised during the financial year	1,262	112
Forfeited upon expiration	-	(906)
Currency translation adjustment	77	(37)
Balance at end of financial year	2,709	1,379

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to:

	Group	
	2018	2017
	\$'000	\$'000
Unutilised tax losses	1,997	828
Other temporary differences	712	551
	2,709	1,379

As at 31 December 2018, the Group had unrecognised tax losses of approximately \$7,436,000 (2017: \$3,367,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates. No deferred tax assets have been recognised in respect of such losses as the management is not confident that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with its accounting policy.

The total unutilised tax losses of the subsidiaries in the jurisdiction of the People's Republic of China and India amounting to approximately \$5,207,000 (2017: \$3,233,000) and \$1,977,000 (2017: \$Nil) respectively can only be utilised for set-off against its future taxable profits within five and eight years from the date the tax losses were incurred.

31. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2018	2017
Profit after income tax attributable to owners of the parent (\$'000)	5,565	10,967
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	90,095	90,095
Earnings per share (in cents)		
- Basic	6.18	12.17
- Diluted	6.18	12.17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Earnings per share (Continued)

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

32. Dividends

	Group and Company	
	2018 \$'000	2017 \$'000
Interim tax-exempt dividends paid of \$0.0111 per share in respect of financial year ended 31 December 2018	1,000	-
Final Special Dividend paid of \$0.0110 per share in respect of financial year ended 31 December 2017	991	-
Interim tax-exempt dividends paid of \$0.0111 per share in respect of financial year ended 31 December 2017	-	1,000
Final tax-exempt dividends paid of \$0.033 per share in respect of financial year ended 31 December 2017	2,973	-
Final tax-exempt dividends paid of \$0.033 per share in respect of financial year ended 31 December 2016	-	2,973
	4,964	3,973

The Directors of the Company recommend a final tax-exempt dividend of \$0.033 (2017: \$0.033) per share amounting to approximately \$2,973,000 (2017: \$2,973,000) be paid in respect of current financial year. The dividends have not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Commitments and contingent liabilities

33.1 Operating lease commitments

The Group as a lessee

As at the end of the financial year, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Within one year	1,109	1,306	1,498
After one year but within five years	2,191	1,404	743
After five years	940	874	-
	4,240	3,584	2,241

The above operating lease commitments are based on existing rental rates at the end of the financial year. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various office premises and other operating facilities under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights.

The Group and the Company as lessors

The Group and the Company have entered into operating lease commitment on its machineries. These non-cancellable leases have remaining lease terms of between 8 to 21 (2017: 1 to 8) months.

As at the end of the financial year, future minimum rentals receivable under non-cancellable operating leases for plant and machinery at the end of the financial year are as follows:

	31 December 2018 \$'000	Group and Company 31 December 2017 \$'000	1 January 2017 \$'000
Within one year	671	192	424
After one year but within five years	205	-	-
	876	192	424

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Commitments and contingent liabilities (Continued)

33.2 Contingent liabilities

Corporate guarantees

As at 31 December 2018, the Company had given guarantees amounting to \$9,205,000 (2017: \$1,654,000) to certain banks in respect of banking facilities granted to the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

The Company has considered the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regards to the subsidiaries are insignificant. The subsidiaries for which the guarantees were provided is in favourable equity position and are profitable, with no default in the repayment of borrowings and credit facilities.

34. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.19).

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, People's Republic of China ("PRC"), Australia and other countries. These locations are engaged in the manufacturing, distribution of PCB and distribution of IT products.

The Group has two reportable segments being PCB business and IT business.

The PCB business segment provides precision drilling services to PCB fabricators and distributes specialty chemicals and other PCB-related products and equipment to PCB manufacturers and rental of machines.

The IT business segment relates to the distribution of hardware and software relating to internet and network products and the provision of maintenance services for such products.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss from 2017.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

	← Singapore →		← PRC →		Australia	Others	Elimination and adjustments	Total
	PCB business	IT business	PCB business	IT business	IT business	IT business		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018								
Revenue								
- External sales	2,665	193,609	4,038	45,761	53,951	131,306	-	431,330
- Inter-segment sales	1	53	-	-	-	-	(54)	-
Total revenue	2,666	193,662	4,038	45,761	53,951	131,306	(54)	431,330

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

	PCB business \$'000	IT business \$'000	Elimination and adjustments \$'000	Total \$'000
2018				
Segment results				
Interest income	400	290	-	690
Interest expense	-	(541)	-	(541)
Depreciation of property, plant and equipment	(1,217)	(926)	-	(2,143)
Other non-cash items:				
- Gain on disposal of plant and equipment	102	24	-	126
- Bad third parties trade receivables written off	-	(283)	-	283
- Inventories written off	-	(25)	-	(25)
- Plant and equipment written off	-	(22)	-	(22)
- Unrealised foreign exchange (loss)/gain	(41)	571	-	530
- Allowance made for inventory obsolescence	(11)	(2,064)	-	(2,075)
- Allowance made for doubtful third party trade receivables	-	(164)	-	(164)
- Amortisation of club memberships	(14)	(10)	-	(24)
- Fair value change in financial asset, at FVPL	131	-	-	131
- Fair value change in derivative financial instruments	-	5	-	5
Segment profit	(741)	12,633	-	11,892

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

	← Singapore →		← PRC →		Australia	Others			
	PCB business	IT business	PCB business	IT business	IT business	IT business	Unallocated	Elimination and adjustments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
2018									
Capital expenditure									
Property, plant and equipment	889	526	-	20	3,042	274	-	-	4,751
31 December 2018									
Assets and liabilities									
Segment assets	17,351	95,384	11,322	21,818	22,093	59,326	5,447	-	232,741
Segment liabilities	13,282	63,725	227	7,030	11,860	25,565	2,178	-	123,867

	← Singapore →		← PRC →		Australia	Others			
	PCB business	IT business	PCB business	IT business	IT business	IT business	Unallocated	Elimination and adjustments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
2017									
Revenue									
- External sales	3,052	178,056	10,913	44,849	41,693	137,388	-	-	415,951
- Inter-segment sales	-	25	-	-	-	56	(81)	(81)	-
Total revenue	3,052	178,081	10,913	44,849	41,693	137,444	(81)	(81)	415,951

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

	PCB business \$'000	IT business \$'000	Elimination and adjustments \$'000	Total \$'000
2017				
Segment results				
Interest income	271	216	-	487
Interest expense	(3)	(389)	-	(392)
Depreciation of property, plant and equipment	(1,785)	(1,028)	-	(2,813)
Other non-cash items:				
- Gain on disposal of plant and equipment	3,664	4	-	3,668
- Inventories written off	-	(82)	-	(82)
- Plant and equipment written off	(57)	(16)	-	(73)
- Unrealised foreign exchange loss	(1,678)	(298)	-	(1,976)
- Allowance made for inventory obsolescence	(11)	(717)	-	(728)
- Allowance reversed for doubtful third party trade receivables	-	(138)	-	(138)
- Amortisation of club memberships	(8)	(10)	-	(18)
- Fair value change in derivative financial instruments	-	(2)	-	(2)
Segment profit	2,181	13,513	-	15,694

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

	← Singapore →		← PRC →		Australia	Others			
	PCB business	IT business	PCB business	IT business	IT business	IT business	Unallocated	Elimination and adjustments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
2017									
Capital expenditure									
Property, plant and equipment	302	1,023	3	7	3	317	-	-	1,655
31 December 2017									
Assets and liabilities									
Segment assets	23,193	95,684	19,509	19,392	14,306	53,789	3,990	-	229,863
Segment liabilities	20,957	60,975	383	8,839	6,880	21,447	1,517	-	120,998
1 January 2017									
Assets and liabilities									
Segment assets	13,110	80,602	19,350	19,811	8,833	47,066	4,609	-	193,381
Segment liabilities	6,106	48,418	4,010	5,364	5,953	17,992	972	-	88,815

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

Geographical information

The Group's two business segments operate in three main geographical areas. Revenue is based on the country in which the customer is located.

Revenue from external customers

	Singapore \$'000	PRC \$'000	Australia \$'000	Others \$'000	Group \$'000
2018					
Revenue from external customers	167,633	47,735	53,929	162,033	431,330
2017					
Revenue from external customers	158,448	53,168	41,734	162,601	415,951

Location of non-current assets

	Singapore \$'000	PRC \$'000	Australia \$'000	Others \$'000	Group \$'000
31 December 2018					
Non-current assets	9,038	1,133	2,859	387	13,417
31 December 2017					
Non-current assets	8,753	2,445	2	448	11,648
1 January 2017					
Non-current assets	9,580	8,529	3	518	18,630

Non-current assets consist of property, plant and equipment, club memberships and prepayment as presented in the statement of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Segment information (Continued)

Major customers

The revenues from two customers (2017: one customer) of the Group's IT business represent approximately \$104,675,000 (2017: \$59,166,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	Group	
	2018 \$'000	2017 \$'000
Customer A	48,130	59,166
Customer B	56,545	*
	104,675	59,166

* Less than 10 percent of the Group's revenue during the financial year.

35. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group and its related parties during the financial year at rates and terms agreed between the parties:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
With subsidiaries				
Advances made to subsidiaries	-	-	12,892	25,421
Dividend income	-	-	-	2,753
Disposal of plant and equipment	-	-	-	751
Interest on advances made to a subsidiary	-	-	656	327
Rental income	-	-	149	149
Service fee	-	-	3,671	3,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of Directors and other members of the key management personnel of the Group and the Company during the financial year was as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term benefits (other than fees)	3,890	4,791	3,191	3,904
Post-employment benefits	109	106	87	84
Directors' fees	199	199	199	199
	4,198	5,096	3,477	4,187

The above includes the following remuneration to the Directors of the Company:

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term benefits (other than fees)	2,564	3,466
Post-employment benefits	39	40
Directors' fees	199	199
	2,802	3,705

36. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure these risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company are mainly exposed to credit risk from credit sales. It is the Group policy, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The management has established a credit policy under which each new customer is analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes external ratings, and customers' financials, when available. Credit limits are established for each customer.

The management determines concentrations of credit risk through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their geography and aging. Within each group, geographical economics/credit rating and historical back-testing data are analysed. The average historical loss rate is computed for each group. Customers are assessed individually for any period-end receivables if specific information is available and the expected credit losses are estimated to be 100%. A customer is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that customer have occurred. Evidence that a customer is credit-impaired includes observable data such as significant financial difficulty of the customer, breach of contract such as a default or past due event or it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2018	2017
	\$'000	\$'000
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	9,205	1,654

For the corporate guarantee issued, the Company has assessed that these subsidiaries have sufficient financial capabilities to meet their contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top three trade receivables from third parties amounting to approximately \$35,801,000 and \$634,000 (2017: \$27,756,000 and \$554,000) respectively as at the end of financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.1 Credit risk (Continued)

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. The bank deposits are held in financial institutions which are independently rated parties with minimum rating "BBB" and above.

The credit risk for trade receivables based on the information provided to the Group's and the Company's management as at the end of the financial year was as follows:

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
PCB business						
- Singapore	660	582	796	660	582	796
- Others	814	2,032	5,168	-	-	-
	1,474	2,614	5,964	660	582	796
IT business						
- Australia	6,800	7,041	6,065	-	-	-
- Singapore	50,193	37,792	30,044	-	-	-
- Taiwan	4,855	5,091	3,864	-	-	-
- China	10,371	10,958	9,403	-	-	-
- Malaysia	5,041	5,697	3,933	-	-	-
- Thailand	5,853	2,609	4,919	-	-	-
- Philippine	3,308	2,310	2,173	-	-	-
- India (i)	13,937	10,118	6,819	-	-	-
- India (ii)	2,300	2,967	1,201	-	-	-
- Indonesia	2,627	3,500	2,301	-	-	-
- Vietnam	2,432	1,663	979	-	-	-
- Others	9,262	6,476	6,044	-	-	-
	116,979	96,222	77,745	-	-	-
	118,453	98,836	83,709	660	582	796

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.1 Credit risk (Continued)

At 31 December 2018, the lifetime expected loss provision for the Group's and the Company's trade receivables are as follows:

	Current \$'000	Past due 0 to 1 month \$'000	Past due over 1 to 2 months \$'000	Past due over 2 to 5 months \$'000	Past due over 5 months \$'000	Total \$'000
Group						
<u>PCB business</u>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	1,072	158	169	73	2	1,474
Impairment						-
<u>IT business</u>						
Expected loss rate	0-5%	0-5%	0-5%	0-5%	0-5%	
Gross receivables	56,630	26,914	12,812	14,239	6,384	116,979
Impairment						2,610
<u>Total</u>						
Gross receivables	57,702	27,072	12,981	14,312	6,386	118,453
Impairment						2,610
Company						
<u>PCB business</u>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	271	145	169	73	2	660
Impairment						-

For amounts due from subsidiaries (Note 12), management has taken into account the available internal information on these subsidiaries' past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amounts due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets to repay their debts. Therefore, amounts due from subsidiaries has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)**36.1 Credit risk (Continued)***Cash and bank balances*

The cash and bank balances are held with the financial institutions with the following credit ratings:

	Rating	Group Bank balance \$'000	Short-term deposits \$'000	Rating	Company Bank balance \$'000	Short-term deposits \$'000
31 December 2018						
International banks	AA/A	37,343	19,022	AA/A	374	6,134
Local banks	BAA/BBB	219	2		-	-
	Note 16	37,562	19,024		374	6,134

31 December 2017

International banks	AA/A	35,648	40,608	AA/A	461	12,440
Local banks	BAA/BBB	567	2		-	-
	Note 16	36,215	40,610		461	12,440

1 January 2017

International banks	AA/A	34,084	16,287	AA/A	1,095	731
Local banks	BAA/BBB	400	2		-	-
	Note 16	34,484	16,289		1,095	731

The credit rating above are derived from Moody's and Fitch ratings. The management monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any credit losses from non-performance by the counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.2 Market risk

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currencies other than the functional currencies of the entities within the Group and the Company. The currencies that give rise to this risk are primarily United States dollar and Singapore dollar.

The Group and the Company monitor their foreign currency exchange risks closely and maintain funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group and the Company enter into foreign currency forward contracts with its principal bankers to mitigate the foreign currency risks (mainly export sales and import purchases).

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year were as follows:

	Assets			Liabilities		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Group						
United States dollar	35,635	34,091	32,514	65,641	60,389	54,171
Singapore dollar	3,780	5,083	6,048	33,476	35,095	30,646
Others	11,971	7,093	6,231	1,134	475	1,261
Company						
United States dollar	13,145	23,363	15,510	1,411	1,850	2,535
Others	6,167	117	792	8	6	196

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The Group's and the Company's exposure to foreign currency risk are mainly United States dollar and Singapore dollar. The Company's exposure to foreign currency risk is mainly in United States dollar.

The following table details the Group's and Company's sensitivity to a 5% (2017: 6%) change in United States dollar and Singapore dollar against the functional currencies respectively. The sensitivity analysis assumes an instantaneous 5% (2017: 6%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items denominated in United States dollar and Singapore dollar are included in the analysis.

	Profit or loss	
	2018 \$'000	2017 \$'000
Group		
<i>United States dollar</i>		
Strengthens against functional currencies*	(1,500)	(1,578)
Weakens against functional currencies*	1,500	1,578
<i>Singapore dollar</i>		
Strengthens against functional currencies#	(1,485)	(1,801)
Weakens against functional currencies#	1,485	1,801
Company		
<i>United States dollar</i>		
Strengthens against Singapore dollar	587	1,291
Weakens against Singapore dollar	(587)	(1,291)

* Primarily Singapore dollar and Indian rupee

Primarily United States dollar

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.2 Market risk (Continued)

(ii) Interest rate risk management

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 19 to the financial statements.

The Group's and the Company's financial performance are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group's and the Company's borrowings at variable rates are denominated in Singapore dollar and United States dollar. If the Singapore dollar interest rates increase or decrease by 1% (2017: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$191,000 (2017: \$239,000) as a result of higher or lower interest expense on borrowings. If the United States dollar interest rates increase or decrease by 1% (2017: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$13,000 (2017: \$18,000) as a result of higher or lower interest expense on borrowings.

36.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirement.

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.3 Liquidity risk (Continued)

Contractual maturity analysis

	Within one year \$'000	After one year but within five years \$'000	Total \$'000
Group			
31 December 2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	83,524	-	83,524
Interest bearing			
- Bank borrowings	19,626	899	20,525
	103,150	899	104,049
31 December 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	79,634	-	79,634
Interest bearing			
- Bank borrowings	24,442	1,362	25,804
- Finance lease payables	30	-	30
	104,106	1,362	105,468
1 January 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	67,774	-	67,774
Interest bearing			
- Bank borrowings	9,548	2,007	11,555
- Finance lease payables	120	30	150
	77,442	2,037	79,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one year \$'000	After one year but within five years \$'000	Total \$'000
Company			
31 December 2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	2,016	-	2,016
Interest bearing			
- Bank borrowings	10,414	899	11,313
	12,430	899	13,329
Financial guarantee contracts	9,205	-	9,205
31 December 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	2,684	-	2,684
Interest bearing			
- Bank borrowings	16,943	1,362	18,305
- Finance lease payables	30	-	30
	19,657	1,362	21,019
Financial guarantee contracts	1,654	-	1,654
1 January 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	2,843	-	2,843
Interest bearing			
- Bank borrowings	1,344	2,007	3,351
- Finance lease payables	120	30	150
	4,307	2,037	6,344
Financial guarantee contracts	8,200	-	8,200

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)**36.3 Liquidity risk (Continued)***Contractual maturity analysis (Continued)*

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

The Group's operations are financed mainly through equity, retained earnings, finance leases and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The following tables detail the liquidity analysis for derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement and the undiscounted net cash outflows on those derivatives that settle on a net basis.

	Within one financial year \$'000
Group	
31 December 2018	
Gross settled:	
Foreign currency contracts	
- Gross inflows	490
- Gross outflows	(492)
31 December 2017	
Gross settled:	
Foreign currency contracts	
- Gross inflows	640
- Gross outflows	(647)
1 January 2017	
Gross settled:	
Foreign currency contracts	
- Gross inflows	1,455
- Gross outflows	(1,460)

36.4 Capital management policies and objectives

The Group and the Company manage capital to ensure that the Group and the Company are able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.4 Capital management policies and objectives (Continued)

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2017.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, finance lease payables and bank borrowings less cash and bank balances. Equity attributable to owners of the parent consists of share capital, Foreign currency translation (account)/reserve, available-for-sale reserve, other reserves and retained earnings.

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Trade and other payables	85,984	82,518	69,406	2,059	2,735	2,935
Finance lease payables	-	29	146	-	29	146
Bank borrowings	20,427	25,683	11,422	11,222	18,193	3,222
Less: Cash and bank balances	(56,586)	(76,825)	(50,773)	(6,508)	(12,901)	(1,826)
Net debt	49,825	31,405	30,201	6,773	8,056	4,477
Equity attributable to owners of the parent	99,737	100,788	96,672	58,223	60,402	63,698
Total capital	149,562	132,193	126,873	64,996	68,458	68,175
Gearing ratio (%)	33	24	24	10	12	7

The Group and the Company are in compliance with all borrowing covenants, including consolidated net worth, current assets to current liabilities ratio and debt service cover, imposed by the financial institutions for the financial years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.4 Capital management policies and objectives (Continued)

As disclosed in Note 24 to the financial statements, certain subsidiaries of the Group is required by the People's Republic of China and Civil and Commercial Code of Thailand to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. The Group is in compliance with all statutory reserve fund capital requirement for the financial years ended 31 December 2018 and 2017.

36.5 Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current other receivables and non-current liabilities in relation to finance lease payables and bank borrowings are disclosed in the respective notes to the financial statements.

Financial instruments by category

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Financial assets						
<i>Fair value through profit or loss</i>						
Derivative financial instruments	-	-	2	-	-	-
Available-for-sale financial assets*	-	4,092	4,290	-	4,092	4,290
Financial asset, at FVPL	4,260	-	-	4,260	-	-
<i>Loans and receivables</i>						
Trade and other receivables (excluding value added tax)	119,713	100,390	83,919	33,652	34,134	33,065
Cash and bank balances	56,586	76,825	50,773	6,508	12,901	1,826
	176,299	177,215	134,692	40,160	47,035	34,891

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.5 Fair value of financial assets and financial liabilities (Continued)

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Financial liabilities						
<i>Fair value through profit or loss</i>						
Derivative financial instruments	2	7	7	-	-	-
<i>Other financial liabilities</i>						
Trade and other payables (excluding value added tax)	83,524	79,634	67,774	2,016	2,684	2,843
Bank borrowings	20,427	25,683	11,422	11,222	18,193	3,222
Finance lease payables	-	29	146	-	29	146
	103,951	105,346	79,342	13,238	20,906	6,211

* Available-for-sale financial assets was reclassified to financial asset, at FVPL upon adoption of SFRS(I) 9, refer to Note 11 to the financial statements for details.

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.5 Fair value of financial assets and financial liabilities (Continued)

Fair value hierarchy (Continued)

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
31 December 2018				
Financial assets				
Financial asset, at FVPL	-	-	4,260	4,260
Financial liabilities				
Derivative financial instruments	-	2	-	2
31 December 2017				
Financial assets				
Available-for-sale financial assets*	-	-	4,092	4,092
Financial liabilities				
Derivative financial instruments	-	7	-	7
1 January 2017				
Financial assets				
Available-for-sale financial assets*	-	-	4,290	4,290
Derivative financial instruments	-	2	-	2
Financial liabilities				
Derivative financial instruments	-	7	-	7

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)**36.5 Fair value of financial assets and financial liabilities (Continued)***Fair value hierarchy (Continued)*

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Company				
31 December 2018				
Non-financial assets				
Investment properties	-	-	2,525	2,525
Financial assets				
Financial asset, at FVPL	-	-	4,260	4,260
31 December 2017				
Non-financial assets				
Investment properties	-	-	2,581	2,581
Financial assets				
Available-for-sale financial assets*	-	-	4,092	4,092
1 January 2017				
Non-financial assets				
Investment properties	-	-	2,637	2,637
Financial assets				
Available-for-sale financial assets*	-	-	4,290	4,290

* Available-for-sale financial assets was reclassified to financial asset, at FVPL upon adoption of SFRS(I) 9, refer to Note 11 to the financial statements for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Financial instruments, financial risks and capital management (Continued)

36.5 Fair value of financial assets and financial liabilities (Continued)

Fair value hierarchy (Continued)

There were no transfers between Levels 1 and 2 during the financial year.

The fair value of the Company's investment properties as at 31 December 2018 was approximately \$2,555,000 (2017: \$2,691,000). The fair value was determined based on the management's estimation by using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. Management considers that the fair value of the investment properties is sensitive to these unobservable adjustments to the price per square metre.

Any changes to the unobservable inputs, to the extent that they increase or decrease the price per square metre, will result in a corresponding increase or decrease in the fair values of the properties. There are no significant inter-relationship between unobservable inputs.

There have been no changes in the valuation techniques of investment properties as at the end of the financial year.

Fair value of the forward foreign currency contracts are determined based on discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the financial year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There are no significant unobservable inputs and significant inter-relationship between unobservable inputs.

The fair value measurements categorised within Level 3 for financial asset, at FVPL / available-for-sale financial assets includes unobservable inputs that are not developed by the Group and the Company.

The fair value of the investment in life insurance plan is based on the cash value provided by the insurer without adjustment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I)

The Group has transitioned to SFRS(I) on 1 January 2018. In transitioning to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) 1 First-time Adoption of SFRS(I).

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I) effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I):

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

There is no impact on revenue recognition for the Group when the new standard is effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)

	Note	Reported under FRS \$'000	Group Effect of applying SFRS(I) 15 \$'000	Reported under SFRS(I) \$'000
At 1 January 2017				
Non-current assets				
Property, plant and equipment		17,431	-	17,431
Club memberships		563	-	563
Deferred tax assets		2,056	-	2,056
Available-for-sale financial assets		4,290	-	4,290
Trade receivables		679	-	679
Prepayment		636	-	636
		25,655	-	25,655
Current assets				
Inventories		28,976	-	28,976
Trade and other receivables		84,021	-	84,021
Prepayments		1,401	-	1,401
Current income tax recoverable		2,553	-	2,553
Derivative financial instruments		2	-	2
Cash and cash equivalents		50,773	-	50,773
		167,726	-	167,726
Less:				
Current liabilities				
Trade and other payables	i,ii,iii	74,889	(5,483)	69,406
Contract liabilities	i,ii,iii	-	5,483	5,483
Finance lease payables		117	-	117
Bank borrowings		9,495	-	9,495
Current income tax payable		967	-	967
Derivative financial instruments		7	-	7
		85,475	-	85,475
Net current assets		82,251	-	82,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)
(Continued)

	Note	Reported under FRS \$'000	Group Effect of applying SFRS(I) 15 \$'000	Reported under SFRS(I) \$'000
Less:				
Non-current liabilities				
Other payables	i	1,185	(1,185)	-
Contract liabilities	i	-	1,185	1,185
Finance lease payables		29	-	29
Bank borrowings		1,927	-	1,927
Provision for post-employee benefits		195	-	195
Deferred tax liabilities		4	-	4
		3,340	-	3,340
		104,566	-	104,566
Equity				
Share capital		37,288	-	37,288
Foreign currency translation reserve		3,433	-	3,433
Available-for-sale reserve		341	-	341
Other reserves		5,222	-	5,222
Retained earnings		50,388	-	50,388
Equity attributable to owners of the parent				
		96,672	-	96,672
Non-controlling interests		7,894	-	7,894
Total equity		104,566	-	104,566

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)
(Continued)

		At 31 December 2017			At 1 January 2018	
	Note	Reported under FRS	Effect of applying SFRS(I) 15	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)
		\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets						
Property, plant and equipment		10,571	-	10,571	-	10,571
Club memberships		525	-	525	-	525
Deferred tax assets		2,415	-	2,415	-	2,415
Available-for-sale financial assets	iv	4,092	-	4,092	(4,092)	-
Financial asset, FVPL	iv	-	-	-	4,092	4,092
Trade receivables		320	-	320	-	320
Prepayment		552	-	552	-	552
		18,475	-	18,475	-	18,475
Current assets						
Inventories		31,391	-	31,391	-	31,391
Trade and other receivables		100,953	-	100,953	-	100,953
Prepayments		644	-	644	-	644
Current income tax recoverable		1,575	-	1,575	-	1,575
Cash and cash equivalents		76,825	-	76,825	-	76,825
		211,388	-	211,388	-	211,388

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)
-
- (Continued)

Note	At 31 December 2017			At 1 January 2018		
	Reported under FRS	Effect of applying SFRS(I)	Reported under SFRS(I)	Effect of applying SFRS(I)	Reported under SFRS(I)	
	\$'000	15 \$'000	\$'000	9 \$'000	\$'000	
Less:						
Current liabilities						
Trade and other payables	i,ii,iii 91,466	(8,948)	82,518	-	-	82,518
Contract liabilities	i,ii,iii -	8,948	8,948	-	-	8,948
Finance lease payables	29	-	29	-	-	29
Bank borrowings	24,373	-	24,373	-	-	24,373
Current income tax payable	1,452	-	1,452	-	-	1,452
Derivative financial instruments	7	-	7	-	-	7
	117,327	-	117,327	-	-	117,327
Net current assets	94,061	-	94,061	-	-	94,061
Less:						
Non-current liabilities						
Other payables	ii 1,988	(1,988)	-	-	-	-
Contract liabilities	ii -	1,988	1,988	-	-	1,988
Bank borrowings	1,310	-	1,310	-	-	1,310
Provision for post-employee benefits	308	-	308	-	-	308
Deferred tax liabilities	65	-	65	-	-	65
	3,671	-	3,671	-	-	3,671
	108,865	-	108,865	-	-	108,865

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)
(Continued)

Note	At 31 December 2017			At 1 January 2018	
	Reported under FRS	Effect of applying SFRS(I) 15	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)
	\$'000	\$'000	\$'000	\$'000	\$'000
Equity					
Share capital	37,288	-	37,288	-	37,288
Foreign currency translation reserve	500	-	500	-	500
Available-for-sale reserve	iv 470	-	470	(470)	-
Other reserves	5,222	-	5,222	-	5,222
Retained earnings	iv 57,308	-	57,308	(242)	57,066
Equity attributable to owners of the parent					
	100,788	-	100,788	(712)	100,076
Non-controlling interests	iv 8,077	-	8,077	(67)	8,010
Total equity	108,865	-	108,865	(779)	108,086

Explanatory notes to reconciliation

The effects of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 15 and SFRS(I) 9.

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group has elected to apply the transition provisions in accordance with SFRS(I) 15:C5. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements due to the followings:

- (i) Advance billings

On 31 December 2017, the Group reclassified advance billings of \$3,951,000 (1 January 2017: \$2,081,000) from "Trade and other payables" and included in "Contract liabilities".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. **Convergence to SFRS(I) (Continued)**

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I) (Continued)

Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 15 (Continued)

- (ii) Deferred revenue

On 31 December 2017, the Group reclassified current deferred revenue of \$3,403,000 (1 January 2017: \$2,778,000) and non-current deferred revenue of \$1,988,000 (1 January 2017: \$1,185,000) from "Trade and other payables" and included in "Contract liabilities".

- (iii) Rebate to customers

On 31 December 2017, the Group reclassified rebate to customers of \$1,594,000 (1 January 2017: \$624,000) from "Trade and other payables" and included in "Contract liabilities".

Adoption of SFRS(I) 9

As disclosed above in (a), the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.9 to the financial statements.

- (iv) Classification and measurement of financial assets

Based on the requirements of SFRS(I) 9, the Group has assessed the business model of financial assets held as at 1 January 2018 and classified them into the relevant categories under SFRS(I) 9. The following reclassifications and adjustments have been made resulting from the adoption of SFRS(I) 9:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Convergence to SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I) (Continued)

Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 9 (Continued)

- (iv) Classification and measurement of financial assets (Continued)

	Note	Financial assets			Available for sale reserve	Retained earnings	Non- controlling interests
		AFS	FVOCI	FVPL			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount under FRS39 as at 31 December 2017		4,092	-	-	470	57,308	8,077
Reclassify AFS to FVPL		(4,092)	-	-	-	-	-
Reclassify AFS to FVPL	11	-	-	4,092	(470)	470	-
Expected credit losses allowance	A	-	-	-	-	(712)	(67)
Carrying amount as at 1 January 2018		-	-	4,092	-	57,066	8,010

- A. SFRS(I) 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition. The new impairment requirements resulted in increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group has adopted the simplified model for its trade receivables and recorded an allowance for lifetime expected losses from initial recognition.

Upon application of the expected credit loss model, the impairment loss allowance on trade and other receivables as at 1 January 2018 has increased by \$779,000 at the Group level. There is no impact at the Company level.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Share Price Chart



	In 2018			As at 18 March 2019
	Highest	Lowest	Average	
Share Price (S\$)	1.040	0.620	0.880	0.730
Share Volume	199,100	100	15,637	4,100

STATISTICS OF SHAREHOLDERS

AS AT 18 MARCH 2019

ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2019

Total number of issued shares excluding treasury shares and subsidiary holdings	-	90,095,268
Number of treasury shares held	-	NIL
Number of subsidiary holdings held	-	NIL
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 99	87	1.70	4,475	0.00
100 – 1,000	3,701	72.29	1,708,677	1.90
1,001 – 10,000	1,080	21.09	3,475,644	3.86
10,001 – 1,000,000	249	4.86	12,019,422	13.34
1,000,001 and above	3	0.06	72,887,050	80.90
TOTAL	5,120	100.00	90,095,268	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2019

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	FOO SUAN SAI	36,564,625	40.58
2	HAN JUAT HOON	25,112,625	27.87
3	CITIBANK NOMINEES SINGAPORE PTE LTD	11,209,800	12.44
4	DBS NOMINEES PTE LTD	876,162	0.97
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	584,350	0.65
6	MOH TSER LOONG ALVIN	561,200	0.62
7	DBS VICKERS SECURITIES (S) PTE LTD	523,250	0.58
8	MAYBANK KIM ENG SECURITIES PTE LTD	413,899	0.46
9	IAN HAROLD HOLLAND	310,000	0.35
10	RAFFLES NOMINEES (PTE) LTD	239,825	0.27
11	NEO THUA TEE	226,250	0.25
12	HSBC (SINGAPORE) NOMINEES PTE LTD	225,756	0.25
13	FOO CHIK HEE @ FOO CHIK ENG	189,500	0.21
14	ANG HAO YAO (HONG HAoyao)	188,100	0.21
15	ABN AMRO CLEARING BANK N.V.	174,800	0.19
16	QUEK KOK KWANG (GUO GUOGUANG)	172,000	0.19
17	OCBC NOMINEES SINGAPORE PTE LTD	148,400	0.17
18	PHILLIP SECURITIES PTE LTD	146,200	0.16
19	HARRY HALIM @ LIM ENG LIAN	144,250	0.16
20	GUARDIAN INVESTMENT PARTNERS (PTE) LTD	140,000	0.16
	TOTAL	78,150,992	86.74

SUBSTANTIAL
SHAREHOLDERS

AS AT 18 MARCH 2019

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Foo Suan Sai ⁽¹⁾	36,564,625	40.58	25,345,125	28.13
2.	Han Juat Hoon ⁽¹⁾	25,345,125 ⁽²⁾	28.13	36,564,625	40.58
3.	Yaowalak Phoowarachai	10,668,000 ⁽³⁾	11.84	-	-

Notes :

- ⁽¹⁾ Mr Foo Suan Sai and Mdm Han Juat Hoon are husband and wife and they are each deemed to be interested in the shares held by the other.
- ⁽²⁾ Mdm Han Juat Hoon has direct interest in the 232,500 ordinary shares registered in the name of UOB Kay Hian Pte Ltd.
- ⁽³⁾ Mdm Yaowalak Phoowarachai has direct interest in the 10,668,000 ordinary shares registered in the name of Citibank Nominees Singapore Pte Ltd.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 18 March 2019, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 18.93%. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Monday, 29 April 2019 at 11.30 a.m., for the purpose of transacting the following businesses:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Lim Keng Jin who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. **(Resolution 2)**

Mr Lim Keng Jin will, upon re-election as a Director of the Company, remain as Chairman of Board of Directors and Remuneration Committee, and a member of the Audit and Risk Management Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To re-elect Mr Foo Fang Yong who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. **(Resolution 3)**
4. To approve a final tax exempt (one-tier) dividend of SGD0.033 per ordinary share for the financial year ended 31 December 2018. **(Resolution 4)**
5. To approve the payment of Directors' fees of SGD219,312.50 for the financial year ended 31 December 2018. **(Resolution 5)**
6. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

8. Authority to issue shares

“That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:-

(Resolution 7)

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
 - (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company’s total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company’s total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”
(See Explanatory Note 3)

BY ORDER OF THE BOARD
Chan Lai Yin
Company Secretary
Singapore, 6 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be Transacted

1. The detailed information of Mr Lim Keng Jin can be found under Directors' Profile section of the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Lim Keng Jin and the other Directors and the Company or its 10% shareholders.
2. The detailed information of Mr Foo Fang Yong can be found under Directors' Profile section of the Company's Annual Report. Mr Foo Fang Yong is the son of Mr Foo Suan Sai, Chief Executive Officer of the Company and Mdm Han Juat Hoon, Chief Operating Officer of the Company. Save for the aforesaid relationship, Mr Foo Fang Yong has no relationship (including immediate family relationships) with other Directors, the Company or its 10% shareholders.
3. The Ordinary Resolution no. 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

NOTICE OF ANNUAL GENERAL MEETING

Notes

- i. A member is entitled to attend and vote at this meeting and may appoint not more than two proxies to attend and vote in his stead.
- ii. Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- iii. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- iv. A proxy need not be a member of the Company.
 - v. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.
 - vi. The instrument appointing a proxy must be deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not less than 48 hours before the time appointed for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE DATE

Subject to shareholders' approval at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 15 May 2019, for the purpose of determining Members' entitlements to a final tax exempt (one-tier) dividend of 3.30 cents per ordinary share for the financial year ended 31 December 2018, to be proposed at the Annual General Meeting of the Company to be held on 29 April 2019 (the "Proposed Final Dividend").

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 by 5.00 p.m. on 14 May 2019 will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 14 May 2019 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 31 May 2019.

PERSONAL DATA PRIVACY

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Lim Keng Jin and Mr Foo Fang Yong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2019 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

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

	MR LIM KENG JIN	MR FOO FANG YONG
Date of Appointment	29 April 2005	28 May 2015
Date of last re-appointment	28 April 2016	28 April 2016
Age	84	33
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lim Keng Jin for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lim Keng Jin possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Foo Fang Yong for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Foo Fang Yong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr Foo Fang Yong is responsible for the Group's business operations and strategic planning.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Board and Remuneration Committee and member of the Audit and Risk Management Committee and Nominating Committee.	Executive Director

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM KENG JIN	MR FOO FANG YONG
Professional qualifications	Fellow member of the Institute of Chartered Accountants of England and Wales.	RSA SecurID Certified Systems Engineer and Blue Coat Certified ProxySG Professional, Sourcefire Certified Expert (SFCE) v5 and Riverbed Certified Solutions Professional WAN Optimization.
Working experience and occupation(s) during the past 10 years	Act as financial adviser on investments. Manage clients' portfolios.	August 2011 to October 2011: i-Security Engineer of M.Tech Products Pte Ltd November 2011 to February 2013: Product Manager of M.Tech Products (HK) Pte Ltd March 2013 to October 2013: Director of M.Tech Products Aust Pty Limited November 2013 to May 2014: Regional Product Manager of M.Tech Products Pte Limited June 2014 to present: General Manager of Multi-Chem Limited
Shareholding interest in the listed issuer and its subsidiaries	No	Direct interest: 78,000
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Mr Foo Fang Yong is the son of Mr Foo Suan Sai, Chief Executive Officer of the Company and Mdm Han Juat Hoon, Executive Director of the Company.
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)	G.K. Goh Holdings Limited (retired on 25 April 2016)	None
Present	None	None

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

MR LIM KENG JIN

MR FOO FANG YONG

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

- | | | |
|--|----|----|
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| c) Whether there is any unsatisfied judgment against him? | No | No |
| d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM KENG JIN	MR FOO FANG YONG
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or		
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or		

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM KENG JIN	MR FOO FANG YONG
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).		

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MULTI-CHEM LIMITED

(Company Registration No.: 198500318Z)

(Incorporated in Singapore)

PROXY FORM**IMPORTANT**

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2019.

*I/We _____ of _____

being *a member/members of Multi-Chem Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

--	--	--	--

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Monday, 29 April 2019 at 11.30 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	To receive and adopt the Audited Financial Statements together with the Directors' Statement and Auditors' Report for the financial year ended 31 December 2018.		
2.	To re-elect Mr Lim Keng Jin as Director.		
3.	To re-elect Mr Foo Fang Yong as Director.		
4.	To approve a final tax exempt (one-tier) dividend.		
5.	To approve the payment of Directors' fees.		
6.	To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares.		

* If you wish to exercise all you votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

Dated this _____ day of _____ 2019

Signature(s) of Member(s)/Common Seal**Total Number of Shares Held**

* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of

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shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

5. The instrument appointing proxy or proxies must be deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not later than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy and deposited at the registered office of the Company at 16H Enterprise Road, Singapore 627657 not later than 48 hours before the time set for the Meeting, failing which the instrument may be treated as invalid.
8. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. An investor who buys shares using CPF monies (“CPF Investors”) and/ or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, if which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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**AFFIX
STAMP**

The Company Secretary
MULTI-CHEM LIMITED
16H Enterprise Road
Singapore 627657



MultiChem
The Hole Solution Provider

Multi-Chem Limited
Company's Registration No. 198500318Z

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