




ADVANCED SYSTEMS AUTOMATION LIMITED

A member of  ASTI



This Annual Report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made, or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



INNOVATION

Changing with times

ANNUAL REPORT 2018

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About ASA



Advanced Systems Automation Limited (“ASA” or the “Company”, and together with its subsidiaries, the “Group”) entered the semiconductor industry in 1986. Its core business is in the manufacturing of automated equipment for the encapsulation in semiconductors. Today, ASA’s encapsulation equipment are used by semiconductor assembly processes around the world.

In 1997, ASA embarked into developing the world’s first total backend inline equipment solution. Thereafter, in 2000, through further developmental efforts, it successfully launched the Solder Ball placement and the Saw Singulation and Sort machines. These equipment were designed for the Ball Grid Array packages, which were then experiencing rapid growth. In 2003, a high speed Flip Chip bonder was introduced to the market and this design won the Advanced Packaging Award that year. Today, the Group prides itself as a world-class manufacturer of automated backend equipment for the semiconductor assembly process. Its equipment are sold globally to major semiconductor manufacturers.

Another core business segment within ASA is its Equipment Contract Manufacturing Services (“ECMS”) unit. This division manufactures electromechanical components and parts for the semiconductor and consumer electronics industries. In 2013, the Group expanded its competency and skill set in this business segment through the acquisition of ASA Multiplate (M) Sdn. Bhd. and Emerald Precision Engineering Sdn. Bhd. In 2018, the Group’s acquisition of Pioneer Venture Pte Ltd, Yumei REIT Sdn. Bhd. and Yumei Technologies Sdn. Bhd. was successfully completed. This stable of companies brought with them new skill sets in die-casting and plastic injection moulding enabling the Group to offer a wider spectrum of comprehensive value propositions to a broader customer base and an expanded regional reach.

For more information, please visit our website at www.asa.com.sg



Letter To Shareholders and Operations Review



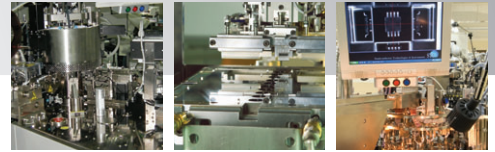
// The new acquisitions complemented with new skills sets in die-casting and plastic injection moulding for the Group, enabling the Company to offer a more comprehensive value proposition to a broader customer base across a wider region. //

Dear Shareholders,

With a renewed focus on family life, my resignation as the Chief Executive Officer of Advanced Systems Automation Limited ("ASA" or the "Company", and together with its subsidiaries, the "Group") was announced on 7 April 2019. Succession is being planned and we will ensure a smooth transition through 2019.

Revenue for the financial year ended 31 December 2018 ("FY2018") declined mainly due to lower sales of equipment when compared to FY2017. With the recent acquisitions and disposal, we are strategically





better positioned in ASEAN. Our efforts will be on ASEAN, which may benefit from the trade uncertainties between China and her trading partners resulting in global trading realignments.

ASA OPERATIONS REVIEW

INCOME STATEMENT

The Group's revenue for FY2018 was 14% lower when compared to FY2017. Equipment business posted a 57% decrease in revenue in FY2018 when compared to FY2017 due to decreased customers' demands in FY2018. ECMS business recorded an increase in revenue of 29% in FY2018 when compared to FY2017 due to increases in customers' loadings.

Gross profit margin ("GPM") of the Group in FY2018 was 3 percentage points ("ppts") lower as compared to the GPM in FY2017. GPM of the Equipment business in FY2018 was 39%, which was 4 ppts higher than the GPM in FY2017 of 35% due to changes in sales mix. GPM of the ECMS business in FY2018 was 27%, which was 5 ppts lower than the GPM in FY2017 of 32% due to restructuring.

Selling and marketing ("S&M") costs in FY2018 were 18% lower when compared to FY2017. S&M costs incurred by the Equipment business in FY2018 were lower by 31% when compared to FY2017, mainly due to lower warranty costs and sales support services incurred. S&M costs incurred by the ECMS business in

FY2018 were 4% higher than in FY2017. The S&M costs incurred were in line with higher sales levels in FY2018.

Research and development ("R&D") costs in FY2018 was 12% higher when compared to FY2017, due to increase in R&D activities.

In FY2018, property, plant and equipment ("PPE") that were written off and impaired amounted to S\$0.2 million compared to a gain of disposal of PPE of S\$0.1 million in FY2017. There was a S\$0.3 million allowance on trade receivables that was written back by the Equipment business in FY2018. All these losses and gain were accounted under the general and administrative ("G&A") costs. Overall, the G&A costs in FY2018 were 17% lower as compared to the G&A costs incurred in FY2017.

The Group reported a foreign exchange gain of S\$0.06 million in FY2018 compared to the foreign exchange loss of S\$0.1 million in FY2017, mainly due to the fluctuations between Singapore Dollar and Malaysian ringgit.

Finance costs incurred in FY2018 were lower by 39% when compared to FY2017, mainly due to reduced interest payments to holding company and external parties.

Depreciation of PPE was higher by 40% in FY2018 when compared to FY2017 due to the additional PPE purchased in FY2018.

Letter To Shareholders and Operations Review

In FY2018, the Group incurred a loss of S\$3.3 million from discontinued operations.

As a result of the above, the Group reported a net loss attributable to owners of the Company of S\$6.0 million in FY2018 as compared to a net loss of S\$5.5 million in FY2017.

BALANCE SHEET

PPE increased by approximately S\$4.9 million from S\$2.0 million as at 31 December 2017 to S\$6.9 million as at 31 December 2018. The increase was mainly due to the acquisition of Yumei Technologies Sdn. Bhd., Yumei REIT Sdn. Bhd. and Pioneer Venture Pte. Ltd. (collectively, the "Subsidiaries").

Intangible assets increased by approximately S\$4.2 million, from S\$0.06 million as at 31 December 2017 to S\$4.3 million as at 31 December 2018. The increase was mainly due to the goodwill arising from the acquisition of the Subsidiaries.

Inventories increased by approximately S\$0.1 million, from S\$3.5 million as at 31 December 2017 to S\$3.6 million as at 31 December 2018, mainly due to increased inventories in Microfits Pte Ltd and inventories

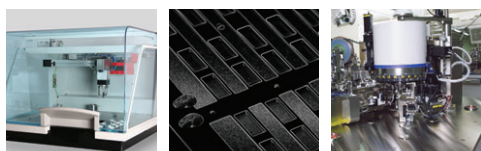
attributable to the Subsidiaries. The increase was partially offset by the disposal of Microfits (Beijing) Technology Co., Ltd.

Trade receivables decreased by approximately S\$4.9 million, from S\$8.9 million as at 31 December 2017 to S\$4.0 million as at 31 December 2018, due to disposal of a subsidiary, which was partially offset by the increase of trade receivables of S\$1.3 million in relation to the acquisition of the Subsidiaries.

Prepayments and advances decreased by approximately S\$0.2 million, from S\$0.3 million as at 31 December 2017 to S\$0.1 million as at 31 December 2018 due to lower advances to the vendors.

As at 31 December 2018, the amounts due to related parties were S\$6.9 million. There were advances of S\$2.4 million from the related parties during the year.

Trade and other payables (current) decreased by approximately S\$1.0 million, from S\$13.8 million as at 31 December 2017 to S\$12.8 million as at 31 December 2018, due to disposal of a subsidiary which was partially offset by advances of S\$2.4 million extended by the related parties to the Company and a deferred cash settlement of approximately S\$1.4 million arising from the acquisition of the Subsidiaries.



As at 31 December 2018, the Group had net current liabilities of S\$3.2 million and net assets of S\$5.3 million.

CASHFLOW

Cash flows used in operating activities of S\$1.5 million comprised of cash flows used in the Group's operations in FY2018 of S\$1.1 million and net amounts paid for interests and taxes of S\$0.4 million. Cash flows used in investing activities which amounted to S\$1.6 million was mainly utilised for the net purchase of new PPE and the acquisition of the Subsidiaries. Cash flows generated from financing activities amounted to S\$2.2 million, mainly due to net loans of S\$2.4 million from the related parties and the repayment of S\$0.2 million in other borrowings.

OUTLOOK

We disposed of our Beijing operations during the year due to uncertainties of the Beijing Municipality environmental requirements and enforcements. In the same year, we acquired Yumei Technologies Sdn. Bhd., Yumei REIT Sdn. Bhd. and Pioneer Venture Pte Ltd. The new acquisitions complemented with new

skill sets in die-casting and plastic injection moulding for the Group, enabling the Company to offer a more comprehensive value proposition to a broader customer base across a wider region.

We are optimistic that going forward, the Group will be in a better position to compete in the market.

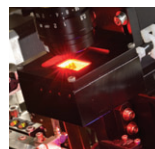
IN APPRECIATION

I would like to thank all of our shareholders, customers, employees, and business associates for their trust and confidence in ASA. I look forward to your support in the new financial year and the new management succession as we set a recovery and growth plan for our businesses, and continue to seek opportunities where we can expand our skill sets and presence in our target markets.

Yours Sincerely,

DATO' MICHAEL LOH

Executive Chairman and Chief Executive Officer



Board of Directors



Dato' Michael Loh Soon Gnee, 63

Executive Chairman and Chief Executive Officer

Bachelor of Science

Double Major in Business Economics & Chemical Engineering

State University of New York, Buffalo, USA

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him close to 40 years of knowledge and experience in wafer fabrication, research and development and assembly, testing and distribution of semiconductor products. Having spent 20 years in Silicon Valley, USA, Dato' Loh has abundant practical business experiences and a vast network of contacts in the semiconductor industry. Dato' Loh is also the Executive Chairman and Chief Executive Officer of the SGX Mainboard-listed ASTI Holdings Limited and Dragon Group International Limited.

Current Listed Companies' Directorships

- Advanced Systems Automation Limited
- ASTI Holdings Limited
- Dragon Group International Limited

Past 5 Years Listed Companies' Directorships

- None



Dato' Khor Gark Kim, 77

Lead Independent Director

Remuneration Committee Chairman

Graduate in Mathematics with a Diploma in Education, Universiti Malaya

Dato' Khor is a retired politician in Malaysia. From 1974 to 1986, he served 3 consecutive terms as an assembly man for the Tanjong Bunga constituency in Penang. Other offices that Dato' Khor held included his term as Political Secretary to the Chief Minister, Exco Member for Housing, Exco Member for Public Works and acting Chief Minister of Penang. Among his many accomplishments is the establishment of the Penang Art Centre, a centre to promote creative work and exhibition. He has also lectured and written publications on socio-political issues relating to overseas Chinese. Dato' Khor graduated from Universiti Malaya in 1965. A Mathematics graduate with a Diploma in Education, he taught Mathematics for ten years and co-authored eleven Mathematics books published by Oxford University Press.

Current Listed Companies' Directorships

- Advanced Systems Automation Limited

Past 5 Years Listed Companies' Directorships

- None





Dr Kenneth Yu Keung Yum, 71

Independent Director
Nominating Committee Chairman

PhD Electrical Engineering and Applied Physics, Stanford University

Dr Yu brings with him over 35 years of experience from the areas of technology, product design and management. He had spent 16 years with Lattice Semiconductor Corp during which he started and managed a subsidiary company in Shanghai, China.

An expert in all facets of semiconductor equipment and technologies, Dr Yu has done memory and ASIC designs and is familiar with applications ranging from PLDs, processors, telephony ICs to CCD imagers. He is the co-author of 25 technical articles and owner of 8 patents.

Dr Yu's present interest is developing the technology to operate a generalized IoT network seamlessly, and to apply Big Data Analytic to sensor data collected by IoT networks. Dr Yu is also a director of Sky1 Technology Limited.

Current Listed Companies' Directorships

- Advanced Systems Automation Limited
- Dragon Group International Limited

Past 5 Years Listed Companies' Directorships

- ASTI Holdings Limited



Mr Mohd. Sopiyan B. Mohd. Rashdi, 57

Independent Director
Audit Committee Chairman

*Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391)
Degree in Accountancy, University iTM, Malaysia*

Mr Mohd. Sopiyan brings with him a wealth of experience from his previous employment with Maybank Finance Bhd, Bank Negara Malaysia, Edaran Digital System Bhd Group of Companies and Financial Advisory Services where he was responsible for the accounting, financial, corporate finance, budgeting, treasury management and tax matters.

During his tenure with Bank Negara, he was attached to the Bank's regulatory department which oversees and monitors financial institutions. He was subsequently seconded to TPU Sdn Bhd, a company formed by Bank Negara to restructure and rehabilitate companies facing financial problems during the recession in the 1980s.

Mr Mohd. Sopiyan is currently the Chief Executive Officer of PT Dragon Terra Venture, a company involved in capital market activities including corporate finance and fund raising exercises in Indonesia and also the Chief Executive Officer or President Director of PT Envy Technology Indonesia, a company involved in ICT Infrastructure & Security Services provider in Indonesia since June 2014.

Current Listed Companies' Directorships

- Advanced Systems Automation Limited
- ASTI Holdings Limited
- Dragon Group International Limited

Past 5 Years Listed Companies' Directorships

- Wintoni Group Berhad
- Winsun Technology Bhd



Key Management

Timothy Lim

Group Administrative Officer

Mr Lim brings with him over 30 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Admin, HR and Legal operations of the Group including that of its holding company ASTI Holdings Limited and associated company Dragon Group International Limited. Prior to this, Mr Lim has held various positions during his career including sales and management. Mr Lim holds a Diploma in Sales and Marketing from CIMUK.

Anthony Loh

Vice President of Finance

Mr Loh joined the Group in 2017 and has over 20 years of experience in finance and accounting. He is overall in charge of the Group's Finance Team and is also the Vice President of Finance of ASTI Holdings Limited and Dragon Group International Limited. Prior to joining the Group, Mr Loh has extensive working experience in MNCs, GLCs and SMEs. He is a Chartered Accountant, a non-practising member of Institute of Singapore Chartered Accountants and holds an Association of Chartered Certified Accountants (ACCA) qualification.

Seah Chong Hoe

Chief Operating Officer

Seah Chong Hoe, Chief Operating Officer, brings with him more than 3 decades of knowledge and experience from the electronics engineering and plastic injection molding industries. He has been responsible for the growth and development of the Yumei Group since 1989. In his current role, Mr Seah is responsible for overseeing the operations and business efficiency of the Group.

Roslan Bin Affandi

Vice President, Operations of EoPlex Group, Telford Malaysia & ASA Multiplate

Mr Roslan joined the Group in 2012 and is responsible for the Engineering and Manufacturing operations in EoPlex. He has recently extended the area of responsibility to cover the operation of Telford Malaysia and also managing ASA Multiplate. Mr Roslan has over 32 years of experience in substrates and lead frame manufacturing industry. Prior to joining the Group, he was the Vice President of a substrate manufacturing company in Singapore. Mr Roslan holds a Diploma in Marine Communications from Singapore Polytechnic.

Loh Choon Piew

Vice President and General Manager, ECMS Operations

Mr Loh graduated from the University of East Anglia, Norwich, UK in Mathematics with Computing in 1983. Prior to joining ASA in 2014, he served and held several different position in various industries – From consumable products sector, industrial packaging, rubber molding, plastics injection to precision metal fabrication. Mr Loh brings with him vast experience in operational, strategic planning, trade and industry, metal and precision industry and business development.

Dato' Ben Loh Choon Khiong

Vice President Business Development, ECMS

Dato' Ben Loh brings with him over 20 years of experience in various industries such as paper packaging, metal fabrication and sheets metal. Prior to joining Microfits, Dato' Ben Loh was a businessman and served as Director of various Malaysian companies such as R-Plus Technology, Megatouch, CSH-Prime Packaging, Coraza Systems as well as a former Executive Director of a Malaysian public listed company, KBB Berhad, now known as EKA Berhad.

Rurando Steven Tan

Vice President, Engineering & Operations of Microfits

Mr R. Steven Tan has accumulated 38 years of experience in the semiconductor and electronics industry spanning across a wide range of industries including engineering developments, automation system, developing IC manufacturing process engineering & implementation of system maintenance, engineering research & developments and design configuration. Prior to joining Microfits, Mr Steven Tan was the managing director of Euro Technology Pte Ltd, a company he founded which focused on conceptualized design, research & development by applying the German technology engineering and instrumental the state of art technology for the front of lines machinery to support the semiconductor, electronics and the LED industry.

Financial Highlights

RESULTS OF OPERATIONS	2018	2017	2016
	S\$'000	S\$'000 (restated)	S\$'000
Group Income Statement			
Revenue	16,229	18,867	26,558
Loss before Taxation from continuing operations	(2,451)	(2,481)	(2,822)
Loss Attributable to Owners of the Company	(6,041)	(5,529)	(2,750)
Group Balance Sheets			
Non-Current Assets	11,174	2,131	1,977
Current Assets	13,448	18,625	15,609
Total Assets	24,622	20,756	17,586
Current Liabilities	16,665	15,911	15,553
Non-Current Liabilities	2,639	-	2,843
Total Liabilities	19,304	15,911	18,396
Equity Attributable to Owners of the Company	6,117	5,606	(146)
Non-Controlling Interests	(799)	(761)	(664)
Total Equity	5,318	4,845	(810)
Basic Loss per share (cents)	(0.04)	(0.05)	(0.06)
Net Assets Value per share (cents)	0.03	0.04	0.01
Weighted average number of shares in the year*	16,322,756,195	10,871,791,559	4,868,961,864
Number of shares (excluding treasury shares) as at end of year	22,324,126,058	15,824,126,058	2,637,354,343
Financial Ratios			
Return on Average Shareholders' Fund (%)	(103)	(203)	(210)
Gearing Ratio (%)	70	66	101
Current Ratio (Times)	0.8	1.2	1.0

* The weighted average number of ordinary shares for 2016 has been restated for the effects of the rights issue that was completed on 14 June 2017



Corporate Information

BOARD OF DIRECTORS

Dato' Michael Loh Soon Gnee
Executive Chairman and Chief Executive Officer

Dato' Khor Gark Kim
Lead Independent Director

Dr Kenneth Yu Keung Yum
Independent Director

Mohd. Sopiyan B. Mohd. Rashdi
Independent Director

AUDIT COMMITTEE

Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dr Kenneth Yu Keung Yum
Dato' Khor Gark Kim

NOMINATING COMMITTEE

Dr Kenneth Yu Keung Yum
Chairman

Dato' Khor Gark Kim
Mohd. Sopiyan B. Mohd. Rashdi

REMUNERATION COMMITTEE

Dato' Khor Gark Kim
Chairman

Dr Kenneth Yu Keung Yum
Mohd. Sopiyan B. Mohd. Rashdi

COMPANY SECRETARY

Theng Searn Por

EXECUTIVE OFFICERS

Timothy Lim
Group Administrative Officer

Anthony Loh
Vice President of Finance

Seah Chong Hoe
Chief Operating Officer

Roslan Bin Affandi
Vice President, Operations of EoPlex Group, Telford Malaysia & ASA Multiplate

Loh Choon Piew
Vice President and General Manager, ECMS Operations

Dato' Ben Loh Choon Khiang
Vice President, Business Development, ECMS

Rurando Steven Tan
Vice President, Engineering & Operations of Microfits

REGISTERED OFFICE

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Singapore 339416
Tel: (65) 6309 5500
Fax: (65) 6292 2067

SPONSOR

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1 Robinson Road
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Singapore 048542
Tel: (65) 6232 3210
Fax: (65) 6232 3244

BUSINESS OFFICE

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Kallang Basin Industrial Estate
Singapore 339416
Tel: (65) 6309 5500
Fax: (65) 6292 2067

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

INDEPENDENT AUDITOR

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

Audit Partner-in-charge:

Tan Po Hsiong, Jonathan
(Since the financial year ended 31 December 2016)

PRINCIPAL BANKER

Malayan Banking Berhad
United Overseas Bank Limited



APPENDIX 1

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

The board of directors (the “**Board**” or “**Directors**”) of Advanced Systems Automation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is committed to maintaining a high standard of corporate governance in complying with the Singapore Code of Corporate Governance 2012 (the “**Code**”) which forms part of the continuing obligations of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, the rationale is provided. The Board views the adherence of such corporate governance practices as key to discharging its duties to protect and enhance shareholder value and the financial performance of the Group.

This Corporate Governance Report (“**Report**”) describes the corporate governance practices of the Group that were in place throughout the financial year ended 31 December 2018 (“**FY2018**”) with reference to the principles and guidelines set out in the Code, which the Company has materially complied with.

The revised Code of Corporate Governance was recently issued on 6 August 2018 (the “**2018 Code**”), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. In this regard, the Company will endeavour to comply with the 2018 Code once it is effective.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Company is headed by an effective Board which leads and controls the Company. The main role and responsibility of the Board is to oversee the business affairs of the Company and to set broad policies, strategies and goals for the Company and the Group. The Board is involved in the approval of annual budgets and the management’s investment and divestment decisions. The Board is accountable to the shareholders of the Company (the “**Shareholders**”) while the management (the “**Management**”) is accountable to the Board.

The Board endeavours to provide Shareholders with balanced and understandable assessments of the Group’s performance and position on a regular basis through the release of quarterly and full year results announcements and updates, where applicable.

The principal functions of the Board include the following:

- providing entrepreneurial leadership, setting strategic aims and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders’ interests and the Group’s assets;
- overseeing the processes for risk management, financial reporting and compliance as well as evaluating the adequacy and effectiveness of internal controls;
- approving annual budgets, major funding proposals, as well as investment and divestment proposals of the Group;
- reviewing the Management’s performance, approving the nominations to the Board and the appointments of key management personnel, as may be recommended by the Nominating Committee (the “**NC**”);
- identifying the key stakeholder groups and recognising that their perceptions affect the Group’s reputation;
- appointing the Group’s Chief Executive Officer (“**CEO**”), and reviewing and endorsing the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee (the “**RC**”);
- considering sustainability issues such as environmental and social factors, as part of the Group’s strategic formulation; and
- setting the Company’s values and standards (including ethical standards) and ensuring that its obligation to Shareholders and other stakeholders are understood and met.

All the Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board holds regular meetings and, to assist it in the execution of its responsibilities, establishes board committees, namely, the NC, the RC and the Audit Committee (the “AC”) (collectively, the “**Board Committees**”) to cover specific functions that are delegated from the Board. Each Board Committee operate within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Specific descriptions of these Board Committees are set out in this Report.

The Group has adopted and documented internal guidelines setting forth matters that require the Board's approval. The types of material transactions and matters that require the Board's approval under such guidelines are listed below:

- strategies and objectives of the Group;
- announcements of quarterly and full year results and release of annual reports;
- issuance of shares of the Company;
- declaration of interim dividends and proposal of final dividends;
- convening of Shareholders' meetings;
- investments and divestments;
- acquisitions and disposals;
- business plans and annual budget of the Group;
- commitments to terms loans and lines of credits from banks and financial institutions; and
- interested person transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Management so as to optimise operational efficiency.

Attendance at Board and Board Committee Meetings

The Board meets regularly at least four (4) times a year and as when warranted by particular circumstances, as deemed appropriate by the Board. The Company's Constitution allows meetings to be conducted by way of teleconference and videoconference.

The frequency of the meetings of the Board and the Board Committees, and the attendance by the Directors for such meetings in FY2018 are set out as follows:

Meetings	Board	AC	NC	RC
Total held in FY2018	4	4	2	1
Directors				
Dato' Michael Loh Soon Gnee [^]	4	4*	2*	1*
Dato' Khor Gark Kim	4	4	2	1
Mr Mohd. Sopiyan B. Mohd. Rashdi	4	4	2	1
Dr Kenneth Yu Keung Yum	4	4	2	1
Dr Tan Jok Tin [#]	3	4*	2*	1*

Notes:

* By Invitation

[^] Dato' Michael Loh Soon Gnee expressed his indication to resign from the position as the Chief Executive Officer of the Company by 7 April 2020 (or such other earlier date as the Board may determine).

[#] Dr Tan Jok Tin resigned as director of the Company on 29 March 2019.

CORPORATE GOVERNANCE REPORT (CONT'D)

Attendance at Board and Board Committee Meetings

There were no new directors appointed in FY2018. Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out, amongst other, the Director's duties and obligations. The Company will put all newly appointed Directors through an orientation programme to familiarise them with the Group's structure, businesses and governance practices. Depending on specific requirements, new Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 406(3)(a) of the Catalyst Rules, which was revised to be consistent with the 2018 Code and effective from 1 January 2019, the Company will arrange for the Directors to attend the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

On an on-going basis, the Management will provide necessary updates on the Group and its business to the Directors, including any changes in legislations or regulations that may impact the Company's conduct of its business or affect the Directors' discharge of their duties to the Company. All Directors are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. Additional trainings will be arranged and funded by the Company, as and when necessary, for the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board.

During FY2018, news releases and newsletters issued by the SGX-ST, the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority, the Company's external auditors and advisors, which are relevant to the Directors, were circulated to the Board. The Board was also briefed on changes to the accounting standards and regulatory updates by the external auditors and the Company Secretary.

Principle 2: Board Composition and Guidance

As at the date of this Report, the Board comprises four (4) Directors, three (3) of whom are Independent Directors. As three (3) out of its four (4) Directors are Independent Directors, the composition of the Board complies with the requirement under Guideline 2.2 of the Code, where the Chairman of the Board is part of the management team and is not an independent director, the Independent Directors should make up at least half of the Board, as well as the recommendation under the 2018 Code that the Independent Directors make up a majority of the Board.

Board and Board Committee Appointments

As of the date of this Report, the designation of the Directors on the Board and details of their respective memberships on the Board Committees are as follows:

Directors	Board Membership	Board Committee Membership		
		Audit	Nominating	Remuneration
Dato' Michael Loh Soon Gnee	Executive Chairman and CEO	N.A.	N.A.	N.A.
Dato' Khor Gark Kim	Lead Independent Director	Member	Member	Chairman
Mr Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	Chairman	Member	Member
Dr Kenneth Yu Keung Yum	Independent Director	Member	Chairman	Member

Collectively, the Directors provide an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as core competencies in accounting and finance, business and management expertise, industry knowledge, strategic planning experience and customer-related knowledge. The profiles of each of the Directors are set out in the "Board of Directors" section of this Annual Report.

The Non-Executive Independent Directors have participated actively to help to develop and challenge proposals concerning the Group's strategy, business and corporate affairs. They have also reviewed and monitored the reporting of the performance of the Management in meeting goals and objectives of the Group. The Non-Executive Independent Directors, as and when deemed necessary, may meet without the presence of the Management.

The Board will constantly examine its size and decide what is considered an appropriate size for the Board in order to facilitate effective decision-making. Taking into account the nature and scope of the Group's operations, and the requirements of its near-term business plans, the Board is of the view that its current size and composition of the Board and its Board Committees are appropriate and believes that it provides sufficient diversity without affecting the effectiveness and efficiency of decision-making.

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle 3: Chairman and CEO

Dato' Michael Loh Soon Gnee is the Executive Chairman and acting Group CEO. In the interim, the Chairman has assumed additional responsibilities as the CEO until a suitable CEO is found. The Board is confident that given the Chairman's vast experience and past contributions, he will be able to bring great value to the Group.

The Chairman is responsible for leading the Board, with the assistance of the Company Secretary, to ensure its effectiveness on all aspects of its role, scheduling meetings and setting the meeting agenda in consultation with the Management. He also assumes responsibility for ensuring that the Directors are provided with complete, adequate, timely and clear information so that they can fulfil their responsibilities.

As a general rule, Board papers are sent to the Directors in advance of any meeting in order for the Directors to be adequately prepared for the meeting. Management who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to carry out presentations or attend the Board meetings at the relevant time. In order to promote a culture of openness and debate at the Board, both the Management and the Independent Directors are facilitated to contribute at the Board meetings.

The Chairman is also responsible for ensuring effective communication with Shareholders, encouraging constructive relations between the Board and the Management, and between himself and the Independent Directors. The Chairman also ensures promotion of high standards of corporate governance and compliance at all times.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Three (3) out of four (4) of the Board members are Independent Directors and all the Board Committees are chaired by the Independent Directors. In addition, in view that the Chairman and CEO is the same person, Dato' Khor Gark Kim has been appointed as the Lead Independent Director. Shareholders will be able to consult the Lead Independent Director to address their concerns for which contact through the normal channels of the Chairman or the Vice President, Finance of the Company has failed to resolve or for which such contact is inappropriate.

To facilitate a more efficient check on the Management and the Chairman, the Independent Directors led by the Lead Independent Director have been encouraged to meet without the presence of the Management and the Chairman at separate occasions. The Lead Independent Director then provides feedback to the Chairman after such meetings.

Principle 4: Board Membership

Board and Board Committee Appointments

The NC, comprising three (3) members, all of whom, including the NC Chairman, are Non-Executive Independent Directors. Dato' Khor Gark Kim, being the Lead Independent Director, is a member of the NC. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Director's membership on the Board Committees.

The NC is governed by its written terms of reference. The principal functions of the NC are:

- review board succession plans for Directors, in particular, the Chairman and the CEO;
- development of a process for evaluation of the performance of the Board, Board Committees and Directors;
- review of training and professional development programs for the Board;
- appointment and re-appointment of Directors;
- evaluate and determine the independence of the Independent Directors; and
- evaluate whether a Director, with multiple board representations, is able to and has been adequately carrying out his duties as a Director of the Company.

Process for Selection and Appointment of New Directors

When required, the search and nomination process for new Directors will be through search companies, contacts or recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidate. In the selection and nomination for new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will assess the suitability of the candidate based on his/her skills, knowledge and experience as well as to ensure he/she is aware of the expectations and the level of commitment required, before recommending the potential candidate to the Board for appointment as Director. Upon review and recommendation of the NC to the Board, new Directors will be appointed by way of passing a Board resolution. The Company's Constitution provides that a newly appointed Director can only hold office until the next Company's annual general meeting ("**AGM**") and then be eligible for re-election. Thereafter, he is subject to be re-appointed at least once every three (3) years at the Company's AGM.

CORPORATE GOVERNANCE REPORT (CONT'D)

Retirement and Re-election of Directors

The NC is responsible for re-appointment of the Directors. In recommending to the Board any re-election of the existing Directors, the NC takes into consideration the Directors' contribution and performance (including his contribution and performance as an independent director, if applicable) at Board and Board Committee meetings. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contributions.

All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three (3) years. The Company's Constitution provides that at least one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be subject to re-appointment at the AGM. As part of the process for the selection, appointment and re-appointment of Directors, the NC will consider the composition and progressive renewal of the Board.

The dates of initial appointments and the last re-election of the Directors are set out below:

Directors	Designation	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Dato' Michael Loh Soon Gnee	Executive Chairman	19 July 2006	30 April 2018
Dato' Khor Gark Kim	Lead Independent Director	19 July 2006	30 April 2018
Mr Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	31 August 2007	29 April 2016
Dr Kenneth Yu Keung Yum	Independent Director	1 March 2011	29 April 2017

Having considered the effectiveness and contributions of each of the Director, the NC nominates and recommends the following Directors to retire by rotation and to stand for re-election at the Company's forthcoming AGM:

Mr Mohd. Sopiyan B. Mohd. Rashdi	Independent Director
Dr Kenneth Yu Keung Yum	Independent Director

The Board has accepted the recommendation of the NC. Each member of the NC and the Board shall abstain from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his performance or re-nomination as Director.

Mr Mohd. Sopiyan B. Mohd. Rashdi will, upon re-election as a Director, remain as Independent Director of the Company, AC Chairman and a member of the NC and RC. Dr Kenneth Yu Keung Yum will, upon re-election as a Director, remain as an Independent Director of the Company, NC Chairman and a member of the AC and RC.

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually and as and when the circumstances require, bearing in mind the guidelines set forth in the Code and any other salient factors which would render a Director to be deemed not independent. A Director who has no relationship with the Group, its related corporations, officers or 10% Shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Group, is considered to be independent. For the purpose of determining Directors' independence, every Director has provided declaration of his independence which is deliberated upon by the NC and the Board.

Following the recent revision to the Code, the Catalist Rules has been amended to be consistent with the 2018 Code. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three (3) financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three (3) financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three (3) financial years.

CORPORATE GOVERNANCE REPORT (CONT'D)

For good corporate governance, the Board carries out rigorous review of the contribution and independence of Directors who has served on the Board beyond nine (9) years from the date of their appointment and if necessary, may exercise its discretion to extend the tenures of these Directors. Presently, Dato' Khor Gark Kim and Mr Mohd. Sopiyan B. Mohd. Rashdi have served as Independent Directors of the Company for more than nine (9) years since their initial appointments in 2006 and 2007 respectively. The Board has subjected their independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Dato' Khor Gark Kim and Mr Mohd. Sopiyan B. Mohd. Rashdi continued to demonstrate independence in discharging their responsibilities as Directors of the Company by objectively expressing their opinions and seeking relevant explanations and clarifications on matters of the Group from the Management. Moreover, they have gained knowledge and understanding of the Group's business and operations over the years and will enable them to provide valuable contributions to the Company. Based on the declaration of independence received from Dato' Khor Gark Kim and Mr Mohd. Sopiyan B. Mohd. Rashdi, they have no association with the Management or any 10% Shareholder that could affect their independence.

After taking into account all these factors, and assessing the need for progressive refreshing of the Board, the Board is of the opinion that Dato' Khor Gark Kim and Mr Mohd. Sopiyan B. Mohd. Rashdi were strongly independent in thought, judgement and action, notwithstanding they have served on the Board for more than nine (9) years from the date of their respective appointments.

Saved as disclosed in this Report, none of the Directors has served on the Board for more than nine (9) years since their first appointments.

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

Directors' Time Commitment and Multiple Board Representations

Although some of the Directors have multiple board representations, the NC is satisfied that each Director is able to and has devoted adequate time and attention to the affairs of the Company to fulfil his duties as a Director of the Company.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The guideline provides that, as a general rule, each Director should hold no more than ten (10) listed company board representations. The guideline includes the following:

- (a) Directors must consult the Chairman of the Board and the NC Chairman prior to accepting any new appointments as directors and other principal commitments; and
- (b) In support of their candidature for directorship or re-appointment, Directors are to provide the NC with details of their board appointments and other principal commitments and an indication of the time involved in their respective commitments.

The NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2018, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and that the Directors have discharged their duties adequately.

There was no appointment of alternate director in FY2018.

Key information regarding the Directors such as academic, professional qualifications, shareholdings in the Company and its related corporations, Board Committees served on (as a member or Chairman), directorships or chairmanships both present and those held over the preceding five (5) years in other listed companies, and other principal commitments is disclosed in the "Board of Directors" and "Directors' Statement" sections of this Annual Report. In addition, pursuant to Rule 720(5) of the Catalist Rules, the additional information as set out in Appendix 7F of the Catalist Rules relating to the retiring Directors who are submitting themselves for re-election is disclosed in the section entitled "Information on Directors nominated for re-election – Appendix 7F of the Catalist Rules" of this Annual Report.

Principle 5: Board Performance

In accordance with the terms of reference of the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. The effectiveness of each Board Committee is also reviewed by the Board.

A formal Board performance evaluation, led by the NC, is conducted annually by means of a confidential questionnaire designed to assess the effectiveness of the Board as a whole, including the performance of each individual Board Committee.

CORPORATE GOVERNANCE REPORT (CONT'D)

There is also a system of peer assessment of each Director completed by their fellow Directors at least annually. These peer assessments are collated by the NC and are taken into account when the NC assesses the results and makes recommendation to the Board on the effectiveness of the Board, Board Committees and whether the retiring Directors are suitable for re-election/re-appointment. In making these assessments, the NC also takes into account the level of participation and contribution of each Director towards the Board's effectiveness and competencies.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities as well as the conduct of its affairs as a whole for FY2018, and the peer assessment of each Director, is of the view that the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board has been satisfactory. No external facilitator had been engaged by the Board for this purpose.

Principle 6: Access to Information

The Board receives updates on the management of the business affairs and operations of the Group and assesses from time to time, strategies and financial initiatives implemented by the Management. The Management has provided the Board with complete and adequate information in a timely manner for the Board to discharge its obligations. Such information includes background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. The Board also duly monitors the Management's performance.

To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished in a timely manner. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

To facilitate separate and independent access to the Management, Directors are also provided with the names and contact details of the Management.

The Chairman updates the Board during the quarterly Board meetings on Group's strategies and business environment to keep the members of the Board abreast of the Group businesses and activities.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Directors have separate and independent access to the Company Secretary. Duties of the Company Secretary include ensuring that Board and Board Committees' procedures are followed and in compliance with applicable rules and regulations including the Companies Act (Cap. 50) and the Catalyst Rules. The Company Secretary was present at all the Board and Board Committee meetings held in FY2018.

In carrying out their obligations as Directors of the Company, access to independent professional advice is, if necessary, available to all Directors, either individually or as a group, at the expense of the Company.

Changes to regulations and accounting standards are closely monitored by the Management. Directors are briefed during the Board meetings of these changes especially where such changes have an important bearing on the Company's or Directors' disclosure obligations.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

As at the date of this Report, the RC comprises three (3) members, all of whom, including the RC Chairman, are Non-Executive Independent Directors. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Director's membership on the Board Committees. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

The members of the RC carried out their duties in accordance with its terms of reference, which includes the following:

- Review and recommend to the Board for endorsement, a formal and transparent procedure for determining the remuneration packages of the Directors and a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
- Recommend to the Board, base salary levels, benefits and incentive programs, and identify components of salary which can best be used to focus management staffs on achieving corporate objectives;

CORPORATE GOVERNANCE REPORT (CONT'D)

- Approve the structure of the compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- Review, on an annual basis, the specific compensation packages of the Company's Directors and Group CEO;
- Review and recommend to the Board, the specific remuneration packages for each Director as well as for the key management personnel;
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Group and that of individual employees would be considered by the RC in undertaking such reviews;
- Implement and administer the Company's share options scheme (as applicable);
- Review the Group's obligations arising in the event of termination of the Executive Director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- Review the development of senior staff and assess their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC has the authority, if necessary, to seek independent experts' advice on the remuneration of all Directors, while ensuring that the existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The RC did not appoint any remuneration consultants in FY2018.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate the Executive Director and key management personnel, and to align their interests with those of the Shareholders, linking rewards to corporate and individual performance and promote the long-term success of the Group. No Director is involved in deciding his own remuneration.

In this regard, the RC:

- takes into account the salary and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual Director;
- considers whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive schemes); and
- reviews the terms, conditions and remuneration of the Executive Director, and ensures that his total remuneration package have a significant portion of performance-related elements.

The Independent Directors have no service contracts with the Company and their terms are specified in the Company's Constitution. Independent Directors are paid a basic fee and an additional fee for serving on any of the Board Committees. The fees paid to the Independent Directors takes into account factors such as effort and time spent, and responsibilities undertaken and their respective contributions to the Board. The fees paid to the Independent Directors are also benchmarked against independent directors' fees paid by other companies in the same industry and with similar scale of operations. The RC is of the view that the Independent Directors are not over-compensated to the extent that their independence may be compromised. Such fees are recommended by the Board for approval by the Shareholders at the Company's AGM.

The Executive Director does not have fixed-term service contract with the Company, and his service contract does not contain onerous removal clauses. Notice periods in service contracts of key management personnel are typically set at six (6) months or less. There are currently no incentive components (such as profit sharing schemes) in the service contracts with the Executive Director and key management personnel.

The remuneration policy for staff, including key management personnel, adopted by the Company, where appropriate, comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is determined at the discretion of the Company, taking into consideration the performances of the Group's businesses and respective employees.

CORPORATE GOVERNANCE REPORT (CONT'D)

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC will review such contractual provisions as and when necessary.

The RC and the Board have collectively endorsed the Company's remuneration policy.

Principle 9: Disclosure on Remuneration

Remuneration of Directors for FY2018

Directors	Remuneration (S\$'000)	Director Fees (%)	Fixed Salary (%)	Bonus & Management Incentive (%)	Share-Based Compensation (%)	Benefits & Allowance (%)	Total (%)
Dato' Michael Loh Soon Gnee	875	3%	97%	N.A.	N.A.	N.A.	100%
Dato' Khor Gark Kim	27	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Kenneth Yu Keung Yum	27	100%	N.A.	N.A.	N.A.	N.A.	100%
Mr Mohd. Sopiyan B. Mohd. Rashdi	28	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Tan Jok Tin	20	100%	N.A.	N.A.	N.A.	N.A.	100%
Total	977						

Remuneration of Key Management Personnel for FY2018

Remuneration Band	Number of Employees
Below S\$250,000	4

As at the date of the Report, other than the Directors and CEO, the Group only has four (4) key management personnel. The total remuneration paid to all the key management personnel (who are not directors or CEO) amounted to approximately S\$563,000. The Board is of the opinion that full disclosure of the names of the above key management personnel would not be in the best interests of the Company as such details are confidential and sensitive in nature. Taking into consideration of the competitive industry in which the Group operates, the Company believes that it is not in the best interests of the Company to disclose the names, the remunerations, or the breakdown of the remunerations (in percentage or dollar terms) of the key management personnel (who are not directors or CEO).

There was no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors and the key management personnel. The Company currently does not have any employee share option scheme in place.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 in FY2018.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects. Such responsibility extends to interim and other price sensitive public reports, as well as reports to regulators. The Management provides Directors with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis and as and when required by the Board from time to time.

The Board also reviews legislation and regulatory compliance reports from the Management to ensure that the Group complies with the relevant regulatory requirements, including requirements under the Catalist Rules, with the assistance of the Group's legal counsel.

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle 11: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for determining the level of risk tolerance of the Group and the governance of risk by ensuring that the Group has put in place internal controls systems to manage its significant business risks, so as to safeguard Shareholders' interests and the Company's assets. The Company does not have a separate risk committee.

The AC is responsible for overseeing the Group's risk management framework and policies, as well as assessing the level of adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operating, compliance and information technology controls, and risk management policies and systems established by the Management.

In relation to the risk management function, the AC is guided by the following terms of reference which assist the Board to:

- Determine the Group's levels of risk tolerance and risk policies;
- Oversee the Management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks;
- Make the necessary recommendation to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance to the Catalist Rules and the Code;
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary; and
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board has received assurance from the Executive Chairman and acting Group CEO and the Vice President, Finance of the Company that:

- the financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and
- the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, the above assurance from the Executive Chairman and acting Group CEO and the Vice President, Finance, the reviews performed by the Management and the AC, as well as the work performed by the internal auditors and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems, is adequate and effective. Nevertheless, the AC and the Board recognise that no internal control system will preclude all potential errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

Risk Management

An assessment of the significant risks areas relevant to the Group's businesses, operations and compliance requirements have been carried out and are identified as follows:

(a) *Reliance on the Semiconductor Industry*

Majority of the Group's products and services are employed in the production of semiconductors. A significant portion of the Group's revenues are directly or indirectly related to the capital expenditure of manufacturers in the semiconductor industry. These industries may be subject to significant fluctuations as a consequence of general economic conditions and industry patterns. Capital expenditure for products such as those sold by the Group are directly affected as a result of these fluctuations. The Group operates in a cyclical industry and these fluctuations are likely to have an adverse effect on the Group's business, financial condition and results of operations.

(b) *Technological Changes*

The market for the Group is characterised by rapidly changing technology. The Group's future success will depend upon its ability to develop and introduce new products on a timely and cost-effective basis to meet customers' requirements and address technological developments. Successful product developments and introduction require the identification of new product requirements and opportunities, the retention and hiring of appropriate research and development personnel, the definition of a product's technical specifications, the successful completion of the development process and the successful marketing of a product.

CORPORATE GOVERNANCE REPORT (CONT'D)

(c) Foreign Exchange Risk

The Group is exposed to various common financial risks arising in the normal course of business. A significant portion of the Group's revenue is denominated in the United States dollar. Operating expenses and wages are made mainly in local currency. Hence, exchange rate movements in the United States dollar and the Singapore dollar (the Company's reporting currency), amongst others, will expose the Company to foreign exchange risk.

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "**Internal Code**") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times.

The Internal Code provides that the Company, its officers and employees of the Group should not deal in securities of the Company when they are in possession of any unpublished material price-sensitive information of the Group.

The Company's Internal Code also provides that the Company, its officers and employees of the Group should not trade in the Company's securities during the period commencing one (1) month or two (2) weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results.

In addition, the Company's officers and employees should not deal in the Company's securities for short-term considerations.

The Internal Code complies with, and the Board confirms that for FY2018, the Company has complied with, Rule 1204(19) of the Catalyst Rules.

Interested Person Transactions ("IPTs")

The aggregate value of interested person transactions entered into during FY2018 as required for disclosure pursuant to Rule 1204(17) of the Catalyst Rules is as follows:

Name of interested Person	Aggregate value of all IPTs entered into for FY2018 (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Catalyst Rules)	Aggregate value of all IPTs conducted in FY2018 under Shareholders' mandate pursuant to Rule 920 of the Catalyst Rules (excluding transactions less than S\$100,000)
ASTI Holdings Limited ("ASTI") and its subsidiaries	- Interest payable on loan extended by ASTI (value of transactions amounting to S\$209,000)	- Trade sales (value of transactions amounting to S\$427,000) ⁽¹⁾

Note:

⁽¹⁾ Related to trade sales transactions with STI (a former subsidiary of ASTI) up till 26 September 2018.

The Group will not be renewing its existing general mandate for interested person transactions pursuant to Chapter 9 of the Catalyst Rules.

Compliance with Laws and Regulations

The Company has established a system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow-up of any fraudulent acts or non-compliance with such laws and regulations.

Principle 12: Audit Committee

As at the date of this Report, the AC comprises three (3) members, all of whom, including the AC Chairman, are Non-Executive Independent Directors. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Directors' membership on the Board Committees.

The members of the AC have adequate accounting, finance, business and managerial experiences. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions. No member of the AC is a former partner or director of the Company's existing auditing firm.

In FY2018, the AC had obtained updates from the Group's external auditors, Ernst & Young LLP (the "**External Auditors**"), on changes in accounting standards, corporate governance and other relevant regulations that might have a direct impact on the Group's financial statements.

CORPORATE GOVERNANCE REPORT (CONT'D)

The AC has explicit powers and authority to conduct investigations into any matters within its terms of reference, has full access to and co-operation by the Management. It has full discretion to invite any Director or key management personnel to attend its meetings. All resources that would enable the AC to discharge its duties effectively and expeditiously are made available to the AC.

The AC performs the following functions in accordance with the terms of reference:

- reviews with the External Auditors, their scope and results of the external audit work, the audit plan, evaluation of the accounting controls, audit reports and any matters which the External Auditors wish to discuss;
- reviews the adequacy of the internal control procedures and evaluates the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls and risk management;
- reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Group and that of any formal announcement made quarterly or annually relating to the Group's financial performance, including announcements to the Shareholders and the SGX-ST prior to the submission to the Board;
- reviews any significant findings of internal investigations;
- makes recommendations to the Board on the appointment of External Auditors, the audit fee, terms of engagement and any questions of their resignation or dismissal;
- reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditor, when appointed;
- to review, monitor, assess and evaluate the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;
- reviews the assistance given by the Management to the External Auditors;
- reviews and monitors interested person transactions, if any, and ensures that the Catalist Rules and the Company's internal control procedures set out in the Shareholders' mandate for interested person transactions, if any, are adhered to in relation to such transaction;
- reports actions and reviews taken, as well as provide minutes of the AC meetings to the Board with such recommendations as the AC considers appropriate;
- conducts an annual review of the independence and objectivity of the External Auditors, including the volume 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 before recommending to the Board the re-appointment of the External Auditors; and
- where its significant subsidiaries and associated company have to appoint a different external auditor, the AC ensures that the external auditors are sufficiently independent and objective so that their appointment would not compromise the standard and effectiveness of the audit of the Group.

The AC held four (4) meetings in FY2018. The AC also met with the external and/or internal auditors in FY2018 twice in FY2018, without the presence of the Management to review the Management's level of cooperation and other matters that warrants the AC's attention.

The principal activities of the AC during FY2018 are summarised below:

Financial reporting

The AC met on a quarterly basis and reviewed the quarterly and full year results announcements, material announcements and all related disclosures to the Shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and the audit committee report presented by the External Auditors.

The AC reviewed the full year financial statements and also discussed with the Management, the Vice President, Finance and the External Auditors, the significant issues and adjustments resulting from the audit, and any significant deficiencies in the internal controls over financial reporting matters that came to the External Auditors' attention during their audit together with their recommendations.

Key audit matters	How AC reviewed these matters and what decisions were made
Accounting treatment of acquisition of subsidiaries	The AC assessed the appropriateness of accounting treatments for transactions involving the acquisition of subsidiaries. The AC also reviewed the key assumptions used by management in the accounting treatments as well as the External Auditors' findings and audit report presented at the year-end meeting. Subsequent to the reviews, the AC concurred with the Management's assessment and was satisfied with the accounting treatments that was applied.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key audit matters	How AC reviewed these matters and what decisions were made
Valuation of acquisition of subsidiaries	The AC considered the approach that was applied in the valuation of the acquired subsidiaries and is satisfied that the Management had appropriately relied on independent reputable external consultants to fairly assess the valuation of the acquired subsidiaries. The AC concurred with the Management's assessment and was satisfied with the methodology that was applied.
Allowances for stock obsolescence	The AC considered and evaluated the appropriateness of the Group's policies on the allowance for stock obsolescence. The AC has reviewed the Group's allowance for stock obsolescence presented by Management, as well as the External Auditors' findings and audit report presented at the year-end meeting. Based on the reviews performed, the AC was satisfied with the Management's assessment on the adequacy of the allowances provided.

External audit processes

The AC manages the relationship with the External Auditors, on behalf of the Board. During FY2018, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the External Auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the External Auditors. The Board accepted this recommendation and has proposed a resolution to the Shareholders for the re-appointment of Ernst & Young LLP at the forthcoming AGM. Dragon Microfits Sdn. Bhd. (Malaysia) and ASA Multiplate (M) Sdn Bhd (Malaysia) are audited by KCK Associates, Penang, Malaysia and CHI-LLTC, Penang, Malaysia, respectively. Yumei Technology Sdn. Bhd. and Yumei Reit Sdn. Bhd. are audited by Crowe Malaysia PLT. The Board and the AC are satisfied that the appointment of these three (3) firms would not compromise the standard and effectiveness of the audit of the Company carried out by Ernst & Young LLP.

Pursuant to the requirement in the Catalist Rules, an audit partner may only be in charge of a maximum of five (5) consecutive annual audits and may then return after two (2) years. In FY2018, the current Ernst & Young LLP's audit partner for the Group took over from the previous audit partner for the audit of the financial statements for FY2016. In appointing the external auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 716 of the Catalist Rules.

Internal controls

During FY2018, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with the Management, the internal auditors and the External Auditors.

The AC considered and reviewed with the Management and the internal auditors on the following:

- annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group; and
- significant internal audit observations and the Management's response thereto.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the internal auditors have adequate resources to carry out the internal audit function.

The non-audit fees and audit fees paid to the External Auditors for FY2018 are disclosed in the Note 7 to the financial statements. The AC has undertaken a review of all services provided by the External Auditors and is satisfied with the level of independence and objectivity of the External Auditors.

Whistle blowing policy

The Company has in place a whistle blowing policy that provides well-defined and accessible channels through which any employee may raise any concerns he/she may have about improper conduct or malpractices within the Group. Any concerns may be raised, either anonymously or otherwise, directly to the Lead Independent Director, and the identity of the person raising the concern is strictly protected to the extent practicable in law. The Lead Independent Director has direct oversight in the administration of the policy with the assistance of Group Administrative Officer. The AC has reviewed and is satisfied with the adequacy of the whistle blowing policy. For FY2018, no whistle blowing reports were received.

Principle 13: Internal Audit

The internal audit function was outsourced to Baker Tilly TFW LLP (the "Internal Auditor") in FY2018. The methodology adopted by the Internal Auditor is in conformity to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditor is independent of the activities it audits.

CORPORATE GOVERNANCE REPORT (CONT'D)

The AC approves the engagement, termination, evaluation and fees of the Internal Auditor. The Internal Auditor, who reports directly on audit matters to the AC Chairman, has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The Internal Auditor assists the AC in monitoring and assessing the effectiveness of the Group's material internal controls. The Internal Auditor also assists the Management in identifying operational and business risks as well as provides recommendations to address those risks.

The AC ensures that the internal audit function is adequately resourced and has the capabilities to adequately perform its functions. In this regard, the AC reviews on an annual basis the effectiveness of the internal audit function by examining the scope of the Internal Auditor's work, quality of its reports, reporting structure within the Group, relevant qualifications and training, relationship with the Internal Auditor, and its independence of the areas reviewed. The AC is of the view that Internal Auditor is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company engages in regular, effective and fair communication with the Shareholders. The Company ensures that all Shareholders are treated equitably and the rights of all Shareholders are protected. The Company holds dialogues with investors, securities analysts, fund managers and the press as and when necessary.

On a regular and timely basis, the Company disseminates material information simultaneously through news and press releases via SGXNET and electronic mail to securities analysts, the Shareholders and the media. Shareholders can access information on the Company at the Company's website at www.asa.com.sg, to ensure that all Shareholders and the public gain fair and sufficient access to information, changes, updates and the archives of the Company or its businesses which would be likely to materially affect the price or value of the Company's shares.

Information is always communicated to the Shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Company invites the media, securities analysts, fund managers or the Shareholders to its general meetings, or briefings that follow major announcements and events, such as earnings releases and trade exhibitions.

The Shareholders are informed of the Shareholders' meetings through timely and formal notices via SGXNET and published in the newspapers. All relevant reports and/or circulars are sent in advance to all Shareholders so that they can familiarise themselves with the issues that will be raised at general meetings. Shareholders are also given opportunities to raise questions, and to communicate their views on issues which affect the Company, at general meetings and to vote in absentia. Every Shareholder is entitled to appoint two (2) proxies to attend the general meeting and vote in his stead.

Corporations which provide custodial or nominee services are not constrained by the two-proxy rule. These corporations can appoint more than two (2) proxies. Shareholders, who hold shares through these corporations, may attend its general meetings as proxies upon the presentation of proxy forms and/or official letters issued by the said corporations.

Pursuant to the amendments to the Companies Act (Cap. 50), a new multiple-proxies regime ("**Regime**") was introduced on 3 January 2016. This Regime allows specified intermediaries, such as banks and capital markets service licence holders which provide custodial services, to appoint more than two (2) proxies. This will enable indirect investors (including investors who purchased shares under the CPF Investment Scheme ("**CPFIS**") and the Supplementary Retirement Scheme ("**SRS**") to attend and vote at Shareholders' meetings. CPFIS investors and SRS investors are required to contact their CPF Approved Nominees if they wish to cast their votes on resolutions at the Shareholders' meetings of the Company but are not able to attend these meetings in person.

The External Auditors are present at AGMs to assist the Board and the Management to address any questions from the Shareholders concerning the conduct of the audit and the Company's conduct of its businesses.

At general meetings, each substantially separate issue is dealt with in separate resolutions to avoid bundling of resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of Shareholders' identities through the web are not compromised.

Whenever possible and appropriate, the Company fulfils requests from securities analysts, stockbrokers, dealers, fund managers and journalists for telephone and face-to-face interviews and meetings with the Management.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Company currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of the Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the Shareholders. The Directors may also declare an interim dividend without the approval of the Shareholders. No dividend was declared in respect of FY2018 as the Group had incurred losses in the year.

Minutes of general meetings that include relevant and substantial comments from the Shareholders relating to the agenda of the meetings and responses from the Board and the Management are available upon request.

For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including loans) involving the interests of the Directors or controlling shareholders which are either still subsisting as at the end of the financial year reported on or if not then subsisting, entered into since the end of the previous financial year.

On 30 May 2019, the Company entered in to a loan with Dato' Michael Loh Soon Gnee amounting to \$500,000, which bears an interest rate of 5% per annum, payable by the Company. The loan is unsecured, repayable upon demand and the Company is obligated to repay the loan together with unpaid interest within six (6) months from the date of disbursement of the loan.

CATALIST SPONSOR

There were no non-sponsor fees paid to the Sponsor for FY2018.

USE OF PROCEEDS

The Company completed the Rights Issue on 14 June 2017 and raised S\$11,868,095, of which S\$4,350,594 was set-off against the amounts owing to ASTI.

As at 31 December 2018, the utilisation of the cash proceeds of approximately S\$7,517,000 were as follow:-

	Amount allocated S\$'000	Amount utilised S\$'000	Balance S\$'000
General working capital	6,025	(6,025)	-
Acquisition of property, plant and equipment	976	(976)	-
Payment for expenses incurred in connection with the Rights Issue	516	(516)	-
Total	7,517	(7,517)	-

Breakdown of general working capital usage	S\$'000
Payments to trade creditors	4,731
Payroll costs	634
Consultancy fees	220
Utility expenses	66
Travelling expenses	169
Directors' fees	434
Others	102
Total	6,025

CORPORATE GOVERNANCE REPORT (CONT'D)

Information on Directors nominated for re-election – Appendix 7F of the Catalyst Rules

Mr Mohd Sopiyan B. Mohd Rashdi and Dr Kenneth Yu Keung Yum are the Directors seeking re-election at the forthcoming AGM of the Company to be convened on 30 July 2019.

Pursuant to Rule 720(5) of the Catalyst Rules, the information relating to Mr Mohd Sopiyan B. Mohd Rashdi and Dr Kenneth Yu Keung Yum in accordance with Appendix 7F of the Catalyst Rules is set out below and to be read in conjunction with their respective profiles under the section entitled “Board of Directors” of this Annual Report:

Name of Directors	Mr Mohd Sopiyan B. Mohd Rashdi	Dr Kenneth Yu Keung Yum
Date of Initial Appointment	31 August 2007	1 March 2011
Date of last reappointment (if applicable)	29 April 2016	29 April 2017
Age	57	71
Country of principal residence	Malaysia	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Mohd Sopiyan B. Mohd Rashdi as the Non-Executive and Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Mohd Sopiyan's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Dr Kenneth Yu Keung Yum as the Non-Executive and Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Dr Kenneth Yu's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Independent Director Audit Committee Chairman Nominating Committee Member Remuneration Committee Member	Non-Executive and Independent Director Nominating Committee Chairman Audit Committee Member Remuneration Committee Member
Professional Qualifications	Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391) Degree in Accountancy, University iTM , Malaysia	PhD Electrical Engineering and Applied Physics, Stanford University
Working experience and occupation(s) during the past 10 years	<u>2018 – Current</u> ASTI Holdings Limited Director and Remuneration Committee Chairman <u>2015 - Current</u> <ul style="list-style-type: none"> Financial Adviser – PT Renewable Energi Indonesia Tbk Director – PT Pan Pages Director & CFO – PT Bintang Makmur Prima CEO – PT Envy Technologies Indonesia, CEO – PT Expose Mandala Putra Corporate Finance Advisor – LCK Group Corporate Finance Advisor – PT Cendrawasih Global International <u>2011 – Current</u> Dragon Group International Limited Independent Director & Audit Committee Chairman <u>2009 – Current</u> PT Dragon Terra Ventura Shareholder, President Director & CEO	<u>2015 – Current</u> (Executive Director) Sky1 Technology Limited <u>2010 – Current</u> (Independent Director) Dragon Group International Limited <u>2010 – Current</u> (Group Technology Advisor) ASTI Holdings Limited <u>2016 – 2018</u> (Independent Director) ASTI Holdings Limited <u>2015 - 2018</u> (Business Development Advisor) nwStor Limited <u>2010</u> (Chief Operating Officer) Dragon Group International Limited
Shareholding interest in the listed issuer and its subsidiaries	None	None

CORPORATE GOVERNANCE REPORT (CONT'D)

Name of Directors	Mr Mohd Sopiyan B. Mohd Rashdi	Dr Kenneth Yu Keung Yum
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	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	<u>Directorships:</u> PT Bintang Makmur Prima MHS Land Sdn. Bhd. Winsun Technology Bhd Wintoni Bhd <u>Other Principal Commitments:</u> None	<u>Directorships:</u> ASTI Holdings Limited Axesstel Inc. <u>Other Principal Commitments:</u> None
Present	<u>Directorships:</u> ASTI Holdings Limited PT ENVY Technologies Indonesia Tbk PT Panpages Indonesia Dragon Group International Limited PT Dragon Terra Ventura PT Orient Technology Indonesia Gagah Kejuruteraan Sdn Bhd Long Term Portfolio Sdn Bhd <u>Other Principal Commitments:</u> PT Envy Technologies Indonesia Tbk - Shareholder and CEO	<u>Directorships:</u> Sky1 Technology Limited World Bright Enterprise Limited Dragon Group International Limited Sky Master Corporation Ltd Borischolle Ltd <u>Other Principal Commitments:</u> None
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

CORPORATE GOVERNANCE REPORT (CONT'D)

Name of Directors	Mr Mohd Sopiyan B. Mohd Rashdi	Dr Kenneth Yu Keung Yum
(c) Whether there is any unsatisfied judgement 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
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(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, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE REPORT (CONT'D)

Name of Directors	Mr Mohd Sopiyan B. Mohd Rashdi	Dr Kenneth Yu Keung Yum
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(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</p> <p>(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</p> <p>(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</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>(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?</p>	No	No
Disclosure applicable to the appointment of Director only		
<p>Any prior experience as a director of an issuer listed on the Exchange? (Yes/No)</p> <p>If yes, please provide details of prior experience.</p> <p>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.</p>	<p>This relates to re-appointment of Director.</p> <p>Not applicable</p>	<p>This relates to re-appointment of Director.</p> <p>Not applicable</p>
<p>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).</p>	Not applicable	Not applicable

APPENDIX 2

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2018

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

- 1 Directors' Statement
- 3 Independent Auditor's Report
- 7 Consolidated Income Statement
- 8 Consolidated Statement of Comprehensive Income
- 9 Balance Sheets
- 11 Statements of Changes in Equity
- 14 Consolidated Cash Flow Statement
- 16 Notes to the Financial Statements

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Advanced Systems Automation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Company has obtained an undertaking from its related party that it will not recall the amounts due to itself for the next 12 months from the date of this report.

Directors

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

Dato' Michael Loh Soon Gnee
 Dato' Khor Gark Kim
 Mohd. Sopiyan B. Mohd. Rashdi
 Dr Kenneth Yu Keung Yum

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below: -

Name of director	At the beginning of financial year	At the end of financial year	At 21 January 2019
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Ordinary shares of the Company

Dato' Michael Loh Soon Gnee

- direct interest	4,444,444,444	4,444,444,444	4,444,444,444
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Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

DIRECTORS' STATEMENT (CONT'D)

Options

During the financial year, there were:-

- (a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (b) no other shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

Audit committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

DIRECTORS' STATEMENT (CONT'D)

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Dato' Michael Loh Soon Ghee
Director

Mohd. Sopiyan B. Mohd. Rashdi
Director

5 July 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Independent Auditor's Report to the Members of Advanced Systems Automation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Advanced Systems Automation Ltd (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (cont'd)

Allowance for stock obsolescence

As of 31 December 2018, total inventories and the related allowance for stock obsolescence amounted to \$3,579,000 and \$979,000 respectively. The allowance for stock obsolescence relates mainly to raw materials, work-in-progress and finished goods. We focused on this area as the gross inventory and the allowance for obsolete inventories carrying amounts are material to the financial statements and the determination of allowance for obsolete inventories involves a high level of management judgment.

As part of our audit, we attended and observed management's inventory counts at all material inventory locations and observed management's identification of obsolete and slow-moving inventories. We tested on a sample basis, the carrying value of the inventory by testing the reasonableness of the standard costing, ageing of inventories, and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete inventories, and the expected demand and selling price. We also assessed the adequacy of the disclosures related to inventories in Note 14.

Acquisition of subsidiaries

On 4 December 2018, the Group entered into an agreement with an individual, Mr Seah Chong Hoe (the "Vendor"), to acquire 100% equity interest in Pioneer Venture Pte Ltd, Yumei Technologies Sdn. Bhd. and Yumei Reit Sdn. Bhd., collectively referred to as ("Yumei Group") for a total consideration of \$10 million.

This acquisition was accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in Note 13. As part of the PPA exercise, management has also considered the impact on the undertaking provided by the Vendor to the Group that in the event the aggregated audited profit before tax of Yumei Group for the period from 1 March 2018 to 29 February 2020 does not exceed S\$3,000,000, the Vendor will compensate the Group for the shortfall. As a result of the provisional PPA, goodwill amounting to \$4,224,000 was recognised in the financial statements. This provisional goodwill and the relating provisional fair value of the acquired assets and liabilities will be adjusted accordingly on a retrospective basis when the PPA exercise is complete.

We had determined this to be a key audit matter due to the quantitative materiality of the acquisition. In addition, significant management judgements and estimates were involved in the provisional PPA exercise in determining the purchase consideration and the fair value of the acquired identifiable assets and liabilities.

Our audit procedures in response to the above transaction include review of the sales and purchase agreement to obtain an understanding of the transactions and the key terms to:

- a) Assess that the substance of the transaction meets the definition of acquisition of business;
- b) Establish the date of acquisition of Yumei Group;
- c) Assess management's basis and judgement in not recognising the contingent receivable as part of the purchase consideration; and
- d) Assess management's process in identifying and ascribing the fair value to acquired assets and assumed liabilities including identification of intangible assets.

We assessed the identification of intangible assets based on our discussion with management and our understanding of the business of Yumei Group and assessed the competence, objectivity and experience of the external valuation specialists engaged by management. We also evaluated management's assumptions and judgement applied in not recognizing the contingent receivable as part of the purchase consideration by evaluating the robustness of management's forecasts by performing sensitivity analysis and evaluated the reasonableness of these assumptions by comparing against historical trends and industry forecasts. We have also tested the arithmetic accuracy of the provisional goodwill and assessed the adequacy of the related disclosures in Note 13 to the financial statements

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditor's Responsibilities for the Audit of Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Po Hsiong Jonathan.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

5 July 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	
		2018	2017
	Note	S\$'000	S\$'000
			(restated)
<u>Continuing operations</u>			
Revenue	4	16,229	18,867
Cost of sales		(11,289)	(12,567)
Gross profit		4,940	6,300
Other expenses			
Selling and marketing costs		(1,569)	(1,903)
Research and development costs		(806)	(721)
General and administrative costs		(4,780)	(5,771)
Finance costs, net	5	(236)	(386)
Loss before tax from continuing operations	7	(2,451)	(2,481)
Income tax expense	8	(351)	(267)
Loss from continuing operations, net of tax		(2,802)	(2,748)
<u>Discontinued operations</u>			
Loss from discontinued operation, net of tax	9	(3,277)	(2,862)
Loss for the year		(6,079)	(5,610)
Attributable to:			
Owners of the Company			
- Loss from continuing operations, net of tax		(2,764)	(2,667)
- Loss from discontinued operation, net of tax		(3,277)	(2,862)
		(6,041)	(5,529)
Non-controlling interests			
- Loss from continuing operation, net of tax		(38)	(81)
Loss for the year		(6,079)	(5,610)
Loss per share from continuing operations attributable to owners of the Company (cents per share)			
Basic and diluted	10	(0.02)	(0.02)
Loss per share (cents per share)			
Basic and diluted	10	(0.04)	(0.05)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	2018 S\$'000	2017 S\$'000
Loss for the year		(6,079)	(5,610)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		62	(121)
Total comprehensive income for the year		(6,017)	(5,731)
Attributable to:			
Owners of the Company		(5,979)	(5,634)
Non-controlling interests		(38)	(97)
Total comprehensive income for the year		(6,017)	(5,731)
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax		(2,702)	(2,772)
- Total comprehensive income from discontinued operations, net of tax		(3,277)	(2,862)
Total comprehensive income for the year attributable to owners of the Company		(5,979)	(5,634)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
		2018	31 December 2017 (Note 33)	1 January 2017	2018	31 December 2017 (Note 33)	1 January 2017
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets							
Property, plant and equipment	11	6,886	2,014	1,851	—	—	—
Intangible assets	12	4,288	64	45	64	64	45
Investments in subsidiaries	13	—	—	—	14,699	4,699	10,522
Deferred tax assets	8	—	53	81	—	—	—
		11,174	2,131	1,977	14,763	4,763	10,567
Current assets							
Inventories	14	3,579	3,486	2,505	—	—	—
Trade and other receivables	15	4,990	9,983	9,820	32	3,486	5,624
Contract assets	4	109	—	—	—	—	—
Prepayments and advances	16	139	357	568	7	7	6
Cash at bank and on hand	17	4,576	4,799	2,716	224	61	29
Tax recoverable		55	—	—	—	—	—
		13,448	18,625	15,609	263	3,554	5,659
Current liabilities							
Provisions	18	103	108	43	—	—	—
Other liabilities	18	2,019	1,951	1,901	296	271	218
Trade and other payables	19	12,777	13,779	13,571	8,469	5,349	6,370
Contract liabilities	4	97	—	—	—	—	—
Income tax payable		208	64	29	—	—	—
Lease creditors	24	283	9	9	—	—	—
Bank overdraft	17	740	—	—	—	—	—
Loans and borrowings	20	438	—	—	—	—	—
		16,665	15,911	15,553	8,765	5,620	6,588
Net current (liabilities)/assets		(3,217)	2,714	56	(8,502)	(2,066)	(929)
Non-current liabilities							
Trade and other payables	19	1,735	—	2,843	2,000	—	2,843
Lease creditors	24	297	—	—	—	—	—
Loans and borrowings	20	435	—	—	—	—	—
Deferred tax liabilities	8	172	—	—	—	—	—
		2,639	—	2,843	2,000	—	2,843
Net assets/(liabilities)		5,318	4,845	(810)	4,261	2,697	6,795
Equity attributable to owners of the Company							
Share capital	21	148,841	142,351	130,965	148,841	142,351	130,965
Foreign currency translation reserve	22	(43)	(105)	—	—	—	—
Merger reserves	22	(2,136)	(2,136)	(2,136)	—	—	—
Premium paid on acquisition of non-controlling interests		(1,228)	(1,228)	(1,228)	—	—	—
Accumulated losses		(139,317)	(133,276)	(127,747)	(144,580)	(139,654)	(124,170)
		6,117	5,606	(146)	4,261	2,697	6,795
Non-controlling interests		(799)	(761)	(664)	—	—	—
Total equity		5,318	4,845	(810)	4,261	2,697	6,795

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2018 Group	Attributable to owners of the Company					Equity attributable to owners of the Company, Total		Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Accumulated losses S\$'000	Premium paid on acquisition of non- controlling interests S\$'000	Merger reserve S\$'000	Foreign currency translation reserve S\$'000	Total reserves S\$'000	S\$'000		
Opening balance at 1 January 2018 (FRS framework)	142,351	(134,773)	(1,228)	(2,136)	1,392	(1,972)	5,606	(761)	4,845
Cumulative effects of adopting SFRS(I)	-	1,497	-	-	(1,497)	(1,497)	-	-	-
Opening balance at 1 January 2018 (SFRS(I) framework)	142,351	(133,276)	(1,228)	(2,136)	(105)	(3,469)	5,606	(761)	4,845
Loss for the year	-	(6,041)	-	-	-	-	(6,041)	(38)	(6,079)
<u>Other comprehensive income</u>	-	-	-	-	62	62	62	-	62
Foreign currency translation	-	-	-	-	62	62	62	-	62
Other comprehensive income for the year, net of tax	-	-	-	-	62	62	62	-	62
Total comprehensive income for the year	-	(6,041)	-	-	62	62	(5,979)	(38)	(6,017)
<u>Contributions by and distributions to equity holders</u>									
Issuance of new ordinary shares pursuant to acquisition of subsidiaries	6,500	-	-	-	-	-	6,500	-	6,500
Share issuance expenses	(10)	-	-	-	-	-	(10)	-	(10)
Total contributions by and distributions to equity holders	6,490	-	-	-	-	-	6,490	-	6,490
Closing balance at 31 December 2018	148,841	(139,317)	(1,228)	(2,136)	(43)	(3,407)	6,117	(799)	5,318

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2017 Group	Attributable to owners of the Company						Equity attributable to owners of the Company, Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Accumulated losses S\$'000	Premium paid on acquisition of non- controlling interests S\$'000	Merger reserve S\$'000	Foreign currency translation reserve S\$'000	Total reserves S\$'000			
Opening balance at 1 January 2017 (FRS framework)	130,965	(129,244)	(1,228)	(2,136)	1,497	(1,867)	(146)	(664)	(810)
Cumulative effects of adopting SFRS(I)	–	1,497	–	–	(1,497)	(1,497)	–	–	–
Opening balance at 1 January 2017 (SFRS(I) framework)	130,965	(127,747)	(1,228)	(2,136)	–	(3,364)	(146)	(664)	(810)
Loss for the year	–	(5,529)	–	–	–	–	(5,529)	(81)	(5,610)
Other comprehensive income	–	–	–	–	(105)	(105)	(105)	(16)	(121)
Foreign currency translation adjustment	–	–	–	–	(105)	(105)	(105)	(16)	(121)
Other comprehensive income for the year, net of tax	–	–	–	–	(105)	(105)	(105)	(16)	(121)
Total comprehensive income for the year	–	(5,529)	–	–	(105)	(105)	(5,634)	(97)	(5,731)
Contributions by and distributions to equity holders									
Issuance of shares pursuant to rights issue	11,868	–	–	–	–	–	11,868	–	11,868
Share issuance expenses	(482)	–	–	–	–	–	(482)	–	(482)
Total contributions by and distributions to equity holders	11,386	–	–	–	–	–	11,386	–	11,386
Closing balance at 31 December 2017	142,351	(133,276)	(1,228)	(2,136)	(105)	(3,469)	5,606	(761)	4,845

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Attributable to owners of the Company		
	Share capital S\$'000	Accumulated losses S\$'000	Total equity S\$'000
At 1 January 2018	142,351	(139,654)	2,697
Loss for the year	–	(4,926)	(4,926)
Total comprehensive loss for the year	–	(4,926)	(4,926)
<u>Contributions by and distributions to equity holders</u>			
Issuance of new ordinary shares pursuant to sale shares	6,500	–	6,500
Share issuance expenses	(10)	–	(10)
Total contributions by and distributions to equity holders	6,490	–	6,490
Closing balance at 31 December 2018	148,841	(144,580)	4,261
At 1 January 2017	130,965	(124,170)	6,795
Loss for the year	–	(15,484)	(15,484)
Total comprehensive loss for the year	–	(15,484)	(15,484)
<u>Contributions by and distributions to equity holders</u>			
Issuance of shares pursuant to rights issue	11,868	–	11,868
Share issuance expenses	(482)	–	(482)
Total contributions by and distributions to equity holders	11,386	–	11,386
Closing balance at 31 December 2017	142,351	(139,654)	2,697

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 S\$'000	2017 S\$'000 (Note 33)
Operating activities			
Loss before taxation from continuing operations		(2,451)	(2,481)
Loss before taxation from discontinued operation		(3,277)	(2,862)
Loss before tax, total		(5,728)	(5,343)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	11	442	606
Property, plant and equipment written off	11	–	408
Gain on disposal of property, plant and equipment		(81)	(146)
Impairment loss on property, plant and equipment	11	229	1,071
Allowance on other receivables		16	65
Allowance on trade receivables	15	–	337
Write back of allowance on trade receivables	15	(338)	–
Allowance for/(write back of) stock obsolescence, net, from continuing operations	14	197	(266)
Allowance for/(write back of) stock obsolescence, net, from discontinued operations		278	40
Provisions	18	118	420
Interest income from continuing operations		(18)	(19)
Interest income from discontinued operations		(2)	(3)
Interest expense		241	392
Loss on disposal of a subsidiary	13	2,580	–
Effect of unrealised exchange gain		(118)	(171)
Operating cash flows before changes in working capital		(2,184)	(2,609)
<u>Changes in working capital</u>			
Decrease/(increase) in trade and other receivables and contract assets		1,860	(356)
Increase in inventories		(1,620)	(755)
Decrease in trade and other payables, contract liabilities and other liabilities		897	1,134
Cash flows used in operations		(1,047)	(2,586)
Interest paid		(240)	(366)
Interest received		20	22
Income tax paid		(263)	(203)
Net cash flows used in operating activities		(1,530)	(3,133)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 S\$'000	2017 S\$'000 (Note 33)
Investing activities			
Purchase of property, plant and equipment ⁽³⁾		(949)	(2,167)
Proceeds from disposal of property, plant and equipment		86	221
Extension of club membership		–	(19)
Net cash outflow on disposal of a subsidiary	13	(211)	–
Net cash outflow on acquisition of subsidiaries	13	(523)	–
Net cash flows used in investing activities		(1,597)	(1,965)
Financing activities			
Repayment of obligations under finance leases		(23)	–
Repayments of bank borrowings		(164)	–
Other borrowings, net		–	(542)
Proceeds from Company's rights issue exercise ⁽²⁾		–	7,517
Right issue expenses		–	(482)
Loan from related parties		2,400	1,065
Repayment of loan to holding company ⁽¹⁾		–	(400)
Net cash flows generated from financing activities		2,213	7,158
Net (decrease)/increase in cash and cash equivalents		(914)	2,060
Cash and cash equivalents at 1 January		4,799	2,716
Effects of exchange rate changes on cash and cash equivalents		(49)	23
Cash and cash equivalents at 31 December		3,836	4,799

⁽¹⁾ These amounts were received or paid prior to the cessation of ASTI Holdings Limited as holding company.

⁽²⁾ The cash proceeds are net of ASTI subscription monies (\$4,351,000) which have been utilised to partially offset the ASTI Shareholder Loan.

⁽³⁾ Purchase of property, plant and equipment

Property, plant and equipment were acquired by means of:

Group	2018 S\$'000	2017 S\$'000
Cash payments	949	2,167
Trade and other payables	8	128
	957	2,295

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

Advanced Systems Automation Limited (the "Company") was incorporated and domiciled in Singapore on 10 April 1986. The Company was admitted to the Official List of Stock Exchange of Singapore Dealing and Automated Quotation System on 22 July 1996 and was transited to a listing on Catalist with effect from on 4 January 2010.

Following the completion of the Company's rights issue exercise on 14 June 2017, ASTI Holdings Limited has ceased to be the holding company of the Company.

The registered office of the Company and principal place of the business is located at Blk 25 Kallang Avenue #06-01 Kallang Basin Industrial Estate Singapore 339416.

The principal activity of the Company is investment holding. There have been no significant changes in the nature of the activity during the financial year.

The principal activities of the subsidiaries are disclosed in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

For the year ended 31 December 2018, the Group incurred a loss of \$6,079,000 (2017: loss of \$5,610,000), was in a net current liability position of \$3,217,000 (2017: net current asset position of \$2,714,000) and incurred cash outflow from operations of \$1,530,000 (2017: cash outflow from operations of \$3,133,000), while the Company incurred a loss of \$4,926,000 (2017: loss of \$15,484,000) and was in a net current liability position of \$8,502,000 (2017: net current liability of \$2,066,000) as at year end. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern.

The directors are of the opinion that the financial statements of the Group and Company can be prepared on a going concern basis as the Company has obtained an undertaking from ASTI Holdings Limited and Mr. Seah Chong Hoe (Chief Operating Officer of the Company) that they will not recall the amounts due to themselves for the next 12 months from the date of these financial statements. The amount due to Mr. Seah Chong Hoe is in relation to the acquisition of subsidiaries in Note 13.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of \$1,497,000 was adjusted against the opening retained earnings as at 1 January 2017.
- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9. •

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Cont'd)

SFRS(I) 9 *Financial Instruments* (Cont'd)

Classification and measurement (Cont'd)

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. The Group has assessed that there is no material impact arising from classification and measurement of debt instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group has assessed that there is no material impact arising from impairment and related tax adjustments under SFRS(I) 9.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the practical expedient in accordance with the transition provisions in SFRS(I) 15, where for completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The Group is in the business of designing and manufacturing automatic moulding machines for the semiconductor industry, precision engineering and fabrication assembly of parts for both semiconductor and non-semiconductor industries. The Group has assessed that there is no material impact on the adoption of SFRS(I) 15. Prior to adoption of SFRS(I) 15, revenue recognition is based on the transfer of risk and rewards which is based on incoterms that coincides with the fulfilment of performance obligation of transfer of control to the customers upon the adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Cont'd)

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group		
	1 January 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	1 January 2017 (SFRS(I)) S\$'000
Non-current assets			
Property, plant and equipment	1,851	—	1,851
Intangible assets	45	—	45
Deferred tax assets	81	—	81
	<u>1,977</u>	<u>—</u>	<u>1,977</u>
Current assets			
Inventories	2,505	—	2,505
Trade and other receivables	9,820	—	9,820
Contract assets	—	—	—
Prepayments and advances	568	—	568
Cash and cash equivalents	2,716	—	2,716
	<u>15,609</u>	<u>—</u>	<u>15,609</u>
Current liabilities			
Provisions	43	—	43
Other liabilities	1,901	—	1,901
Trade and other payables	13,571	—	13,571
Contract liabilities	—	—	—
Income tax payable	29	—	29
Lease creditors	9	—	9
Loans and borrowings	—	—	—
	<u>15,553</u>	<u>—</u>	<u>15,553</u>
Non-current liabilities			
Trade and other payables	2,843	—	2,843
Lease creditors	—	—	—
Loans and borrowings	—	—	—
Deferred tax liabilities	—	—	—
	<u>2,843</u>	<u>—</u>	<u>2,843</u>
Net liabilities	<u>(810)</u>	<u>—</u>	<u>(810)</u>
Equity attributable to owners of the Company			
Share capital	130,965	—	130,965
Foreign currency translation reserve	1,497	(1,497)	—
Merger reserves	(2,136)	—	(2,136)
Premium paid on acquisition of non- controlling interests	(1,228)	—	(1,228)
Accumulated losses	(129,244)	1,497	(127,747)
	<u>(146)</u>	<u>—</u>	<u>(146)</u>
Non-controlling interests	(664)	—	(664)
Total equity	<u>(810)</u>	<u>—</u>	<u>(810)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Cont'd)

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of new accounting standards on 31 December 2017 to the balance sheet of the Group.

	Group		
	31 December 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	31 December 2017 (SFRS(I)) S\$'000
Non-current assets			
Property, plant and equipment	2,014	—	2,014
Intangible assets	64	—	64
Deferred tax assets	53	—	53
	<u>2,131</u>	<u>—</u>	<u>2,131</u>
Current assets			
Inventories	3,486	—	3,486
Trade and other receivables	9,983	—	9,983
Contract assets	—	—	—
Prepayments and advances	357	—	357
Cash and cash equivalents	4,799	—	4,799
	<u>18,625</u>	<u>—</u>	<u>18,625</u>
Current liabilities			
Provisions	108	—	108
Other liabilities	1,951	—	1,951
Trade and other payables	13,779	—	13,779
Contract liabilities	—	—	—
Income tax payable	64	—	64
Lease creditors	9	—	9
Loans and borrowings	—	—	—
	<u>15,911</u>	<u>—</u>	<u>15,911</u>
Non-current liabilities			
Trade and other payables	—	—	—
Lease creditors	—	—	—
Loans and borrowings	—	—	—
Deferred tax liabilities	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Net assets	<u>4,845</u>	<u>—</u>	<u>4,845</u>
Equity attributable to owners of the Company			
Share capital	142,351	—	142,351
Foreign currency translation reserve	1,392	(1,497)	(105)
Merger reserves	(2,136)	—	(2,136)
Premium paid on acquisition of non- controlling interests	(1,228)	—	(1,228)
Accumulated losses	(134,773)	1,497	(133,276)
	<u>5,606</u>	<u>—</u>	<u>5,606</u>
Non-controlling interests	(761)	—	(761)
Total equity	<u>4,845</u>	<u>—</u>	<u>4,845</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16 *Leases*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases as of 1 January 2019 with a corresponding change in opening retained earnings and its related tax impact as of 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation, business combinations and goodwill

(a) Basis of consolidation

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

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

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

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

(b) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency

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

(a) *Transactions and balances*

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

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

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

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

2.6 Property, plant and equipment

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

Freehold buildings are measured at cost less accumulated depreciation and impairment losses.

Freehold land has infinite useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	50 to 70 years or shorter of remaining leases terms and economic life
Machinery	-	5 to 10 years
Tools and equipment	-	3 to 10 years
Air conditioners	-	5 to 10 years
Computers	-	3 to 10 years
Other assets	-	3 to 10 years

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2.8 Subsidiaries

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

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

2.9 Intangible assets

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

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

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

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

(a) *Club membership*

Club membership is assessed to have an indefinite life and is stated at cost less impairment loss. Allowance is made for any impairment loss on the basis outlined in paragraph Note 2.7.

(b) *Customer relationships*

Customer relationships were acquired in business combinations and are carried at cost less accumulated amortisation and any accumulated impairment losses. The customer relationships has a finite useful life and are amortised over the period of 4 years based on expected pattern of consumption of future economic benefits embodied in the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of the Group's debt instruments is:

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a "lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Inventories

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

- Raw materials – purchase costs on a weighted average basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

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

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Provisions

General

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Provisions (Cont'd)

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Provision for reinstatement cost

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

2.15 Borrowing costs

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

2.16 Leases – as lessee

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

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

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

2.17 Discontinued Operations

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

2.18 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Revenue (Cont'd)

(a) *Sale of equipment and fabrication assembly of parts*

The Group provides designing and manufacturing automatic moulding machines for the semiconductor industry and precision engineering and fabrication assembly of parts for semi-conductor, consumer products and business equipment industries, which are reportable under Equipment segment and Equipment Contract Manufacturing Services ("ECMS") segment (Note 32), respectively.

Revenue is recognised when the goods are delivered to the customer. Certain revenue recognition is based on criteria for customer acceptance. The goods are often sold with a right of return based on the aggregate sales over a period of time.

The Group does not offer customers the option to separately purchase extended warranty that provides the customer with a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specifications.

(b) *Interest income*

Interest income is recognised using the effective interest method.

2.19 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore, Malaysia and People's Republic of China ("PRC") companies in the Group make contributions to the Central Provident Fund scheme in Singapore, or Employees Provident Fund in Malaysia, or Social Security Bureau in PRC respectively. These are defined contribution pension schemes. Contributions to these schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Termination benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

2.20 Taxes

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes (Cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on 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 liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Share capital and share issue expenses

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Accounting for business combinations*

In accounting for business combinations using the purchase price allocation method, judgement is required in determining the identification of the acquired assets and liabilities and allocating the purchase price to the various identifiable assets and liabilities acquired from the new businesses. During the financial year, the Group acquired several subsidiaries as disclosed in Note 13 to the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Allowance for stock obsolescence*

The Group assesses at the end of each reporting period whether there is any objective evidence that its stocks is impaired. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the net realisable value of the asset. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amount of the Group's inventories and related allowance for stock obsolescence as at 31 December 2018 are disclosed in Note 14.

(b) *Accounting for business combinations*

In accounting for business combinations, the fair value measurement of assets and liabilities identified during acquisition is based on management's assessment of fair values. Fair value is the estimated amount for which these assets and liabilities could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction and involved appropriate valuation techniques where fair value is not readily observable from market data. During the financial year, the Group acquired several subsidiaries as disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. REVENUE

a. Disaggregation of revenue

	Equipment		ECMS		Total revenue	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets						
China	2,975	3,858	–	–	2,975	3,858
South East Asia	760	1,142	12,170	9,431	12,930	10,573
America	–	2	6	18	6	20
Europe	302	4,410	4	–	306	4,410
Others	1	–	11	6	12	6
	4,038	9,412	12,191	9,455	16,229	18,867
Timing of transfer of goods or services						
At a point in time	4,038	9,412	12,191	9,455	16,229	18,867
	4,038	9,412	12,191	9,455	16,229	18,867

b. Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	2018	Group	
	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000
Receivables from contracts with customers (Note 15)	3,973	8,953	8,713
Contract assets	109	–	–
Contract liabilities	97	–	–

The Group has recognised net impairment losses on receivables arising from contracts with customers amounting to \$Nil (2017: \$339,000).

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date for sale of fabricated metal products. Contract assets are transferred to trade receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of fabricated metal products. Contract liabilities are recognised as revenue as the Group completes their obligation for the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCE COSTS, NET

	Group	
	2018	2017
	\$'000	\$'000
		(restated)
Finance income in respect of :-		
- deposits with banks and financial institutions	18	19
Finance costs in respect of :-		
- bank borrowings and finance leases	(12)	–
- other borrowings	(20)	(169)
- bank charges	(13)	(13)
- amounts due to related parties	(209)	(223)
	(236)	(386)

6. OTHER EXPENSES

	Group	
	2018	2017
	\$'000	\$'000
		(restated)
Gain on disposal of property, plant and equipment	81	80
Impairment loss on property, plant and equipment (Note 11)	(229)	–
Net foreign exchange gain/(loss)	59	(118)
Allowance for other receivables	(16)	(65)

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at loss before tax from continuing operations:-

	Group	
	2018	2017
	\$'000	\$'000
		(restated)
Audit fees:		
- Auditor of the Company	(114)	(105)
- Other auditors	(12)	(9)
Non-audit fees:		
- Auditor of the Company	(6)	(4)
- Other auditors	(5)	(30)
Depreciation of property, plant and equipment	(429)	(306)
Impairment loss on property, plant and equipment	(229)	–
Property, plant and equipment written off	–	(2)
Allowance on trade receivables	–	(337)
Write back of allowance on trade receivables	(338)	–
Transactions cost incurred in a business combination	(138)	–
Consultancy fees	(412)	(449)
Employee benefits expense (Note 25)	(5,699)	(5,025)
Inventories recognised as an expense in cost of sales (Note 14)	(7,333)	(9,660)
Reversal of write-down of inventories	37	346
Inventories written-down	(234)	(80)
Operating lease expense (Note 24)	(350)	(1,108)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:-

	Group	
	2018	2017
	\$'000	\$'000
Current income tax – continuing operations:-		
Current income tax	(294)	(236)
Over provision in respect of prior years	14	–
	(280)	(236)
Deferred income tax – continuing operations:-		
Origination and reversal of temporary difference	(52)	(28)
Under provision in respect of prior years	(17)	(1)
	(69)	(29)
Withholding tax on payments to non-residents	(2)	(2)
Income tax attributable to continuing operations	(351)	(267)
Income tax attributable to discontinued operations	–	–
Income tax expense recognised in profit and loss	(351)	(267)

Relationship between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Loss before tax from continuing operations	(2,451)	(2,481)
Loss before tax from discontinued operations	(3,277)	(2,862)
Accounting loss before tax	(5,728)	(5,343)
Tax calculated at a tax rate of 17% (2017: 17%)	974	908
Adjustments:		
Expenses not deductible for tax purposes	(994)	(2,836)
Income not subject to tax	166	2,179
Differential tax rate of overseas subsidiaries	(117)	44
Utilisation of current year reinvestment allowance	111	81
Effect on opening deferred tax on reduction of Malaysia income tax rate	–	(56)
Deferred tax assets not recognised	(464)	(561)
Tax exemption	7	7
Tax losses not available for future utilisation	(29)	(30)
Withholding tax on payments to non-residents	(2)	(2)
Under provision in respect of prior years	(3)	(1)
Income tax expense	(351)	(267)

The corporate income tax rate applicable to Singapore companies of the Group is 17% (2017: 17%). The corporate income tax rates applicable to the People's Republic of China ("PRC") and Malaysia entities are 25% (2017: 25%) and 18-24% (2017: 18-24%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. INCOME TAX EXPENSE (CONT'D)

According to the Applicable Enterprise Income Tax ("EIT") laws and regulations, income such as rental, royalty and profits from the PRC derived by a foreign enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable EIT Laws and regulations.

Pursuant to a tax treaty between the PRC and the Republic of Singapore, which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or 10% if it holds less than 25% interests in the PRC company.

At the end of the current and previous financial years, certain subsidiaries of the Group (primarily in Malaysia) had undistributed earnings of \$6,311,000 (2017: \$6,280,000). The Group has not recorded withholding taxes on these undistributed earnings as the tax jurisdictions in which the earnings arose do not charge withholding taxes on the repatriation of these earnings.

The following deferred tax assets have not been recognised at the end of reporting period:-

	Group		
	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000
Deferred tax assets :-			
Unutilised tax losses and capital allowances	8,430	10,415	9,184
Differences in depreciation	188	359	565
Allowance for inventory obsolescence	140	281	402
Others	88	278	60
	8,846	11,333	10,211

As at 31 December 2018, the Group has unutilised tax losses and unabsorbed capital allowances of \$47,677,000 (31 December 2017: \$55,146,000; 1 January 2017: \$47,321,000) available for set-off against future assessable income subject to agreement with the tax authorities on the relevant tax regulations. The tax losses have no expiry date except for an amount of \$Nil (2017: \$6,440,000; 2016: \$4,494,000) which will expire in the next one to four years.

The above deferred tax assets in respect of the current period and prior years have not been recognised as the directors are uncertain that there would be taxable profit available against which the deductible temporary differences carried forward of unused tax losses can be utilised.

Deferred tax assets/liabilities

	Group		
	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000
Deferred tax assets arise as a result of:-			
- Differences in depreciation	-	-	47
- Others	-	53	34
	-	53	81
Deferred tax liabilities arise as a result of:-			
- Acquisition of subsidiaries (Note 13)	157	-	-
- Others	15	-	-
	172	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. DISCONTINUED OPERATIONS

The discontinued operations disclosure below includes results of Microfits (Beijing) Technology Co., Ltd (“MBT”) and its comparatives of which the sale was completed on 28 September 2018. The effects of sale relating to this subsidiary are in Note 13.

Income statement disclosures

The results of MBT for the year ended 31 December 2017 and for the period 1 January 2018 to date of disposal are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Revenue	10,691	12,400
Cost of sales	(9,891)	(11,597)
Gross profit	800	803
Selling and marketing costs	(517)	(703)
General and administrative costs	(989)	(1,785)
Foreign exchange gain/(loss)	10	(105)
Finance costs, net	(1)	(1)
Impairment loss	(2,580)	(1,071)
Loss before taxation from discontinued operation	(3,277)	(2,862)
Income tax expense	–	–
Loss from discontinued operation, net of tax	(3,277)	(2,862)

Cash flow statement disclosures

The cash flows attributable to MBT are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Operating	(766)	2,224
Investing	(47)	(1,459)
Financing	–	–
Net cash (outflows)/inflows	(813)	765

Loss per share disclosures

	Group	
	2018	2017
Loss per share from discontinued operations attributable to owners of the Company (cents per share)		
Basic	(0.02)	(0.03)
Diluted	(0.02)	(0.03)

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. LOSS PER SHARE

Continuing operations

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares for diluted earnings per share computation respectively.

The following tables reflect the income and share data used in the computation of basic and diluted loss per share for the year ended 31 December.

	Group	
	2018	2017
	\$'000	\$'000

Loss after income tax and attributable to owners of the Company for
basic and diluted loss per share

(2,764) (2,667)

	Group	
	2018	2017

Weighted average number of ordinary shares in issue applicable to
basic and diluted loss per share

16,322,756,195 10,871,791,559

The weighted average number of ordinary shares for prior year had been restated for the effects of the rights issue that was completed on 14 June 2017 and the issuance of new ordinary shares in relation to the sale shares that was completed on 4 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land* and buildings S\$'000	Leasehold land and buildings S\$'000	Machinery S\$'000	Tools and equipment S\$'000	Air conditioners S\$'000	Computers S\$'000	Other assets S\$'000	Total S\$'000
Cost								
At 1 January 2017	1,207	—	23,658	888	205	2,444	2,284	30,686
Currency realignment	20	—	90	(9)	2	(3)	(17)	83
Additions	9	—	1,655	40	—	59	532	2,295
Disposals	—	—	(1,926)	—	—	—	(8)	(1,934)
Written-off	—	—	(255)	—	(73)	(8)	(1,082)	(1,418)
At 31 December 2017 and 1 January 2018	1,236	—	23,222	919	134	2,492	1,709	29,712
Currency realignment	—	5	(220)	(17)	—	(13)	(32)	(277)
Additions	—	—	830	—	3	26	98	957
Acquisition of subsidiaries	—	2,460	2,178	—	2	12	25	4,677
Disposal of subsidiary	—	—	(7,640)	(501)	—	(373)	(1,011)	(9,525)
Disposals	—	—	(1,019)	—	—	(3)	(8)	(1,030)
Written-off	—	—	(1,660)	—	—	(53)	(1)	(1,714)
At 31 December 2018	1,236	2,465	15,691	401	139	2,088	780	22,800
Accumulated depreciation and impairment loss								
At 1 January 2017	178	—	23,027	825	202	2,389	2,214	28,835
Currency realignment	3	—	78	(9)	2	(3)	(16)	55
Charge for the year	16	—	395	22	2	46	125	606
Impairment loss	—	—	985	13	—	49	24	1,071
Disposals	—	—	(1,851)	—	—	—	(8)	(1,859)
Written-off	—	—	(255)	—	(73)	(8)	(674)	(1,010)
At 31 December 2017 and 1 January 2018	197	—	22,379	851	133	2,473	1,665	27,698
Currency realignment	—	—	(215)	(17)	—	(13)	(32)	(277)
Charge for the year	17	3	360	20	1	14	27	442
Impairment loss	—	—	151	48	—	13	17	229
Disposal of subsidiary	—	—	(7,608)	(501)	—	(373)	(957)	(9,439)
Disposals	—	—	(1,014)	—	—	(3)	(8)	(1,025)
Written-off	—	—	(1,660)	—	—	(53)	(1)	(1,714)
At 31 December 2018	214	3	12,393	401	134	2,058	711	15,914
Net book value								
At 1 January 2017	1,029	—	631	63	3	55	70	1,851
At 31 December 2017	1,039	—	843	68	1	19	44	2,014
At 31 December 2018	1,022	2,462	3,298	—	5	30	69	6,886
Net book value of property, plant and equipment under finance lease (Note 24)								
At 1 January 2017	—	—	—	—	—	—	—	—
At 31 December 2017	—	—	—	—	—	—	—	—
At 31 December 2018	—	—	1,080	—	—	—	—	1,080

* Includes freehold land at cost of \$391,000 (31 December 2017: \$391,000; 1 January 2017: \$385,000).

- Other assets comprise renovation, furniture and fittings, motor vehicles and office equipment.
- During the financial year, the cash outflow on acquisition of property, plant and equipment amounted to \$949,000 (31 December 2017: \$2,167,000; 1 January 2017: \$303,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

As at 31 December 2018, the Group's property, plant and equipment included \$149,000 (31 December 2017: \$Nil; 1 January 2017: \$Nil) which related to expenditure for a machinery in the course of construction.

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment as a subsidiary of the Group within the ECMS segment had been persistently making losses. An impairment loss of \$229,000 (2017: \$1,071,000) representing the write-down of these property, plant and equipment in full was recognised in the "general and administrative costs" line item of the consolidated income statement for the financial year ended 31 December 2018. The recoverable amount of the production equipment was based on its fair value less cost of disposal.

Company	Computers S\$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>2</u>
Accumulated amortisation and impairment loss	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>2</u>
Net carrying amount	
At 1 January 2017, 31 December 2017 and 31 December 2018	<u><u>-</u></u>

12. INTANGIBLE ASSETS

Group	Goodwill S\$'000	Club memberships S\$'000	Customer relationships S\$'000	Total S\$'000
Cost				
At 1 January 2017	1,705	178	459	2,342
Addition	-	19	-	19
At 31 December 2017 and 1 January 2018	<u>1,705</u>	<u>197</u>	<u>459</u>	<u>2,361</u>
Acquisition of subsidiaries (Note 13)	<u>4,224</u>	<u>-</u>	<u>-</u>	<u>4,224</u>
At 31 December 2018	<u>5,929</u>	<u>197</u>	<u>459</u>	<u>6,585</u>
Accumulated amortisation and impairment loss				
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>1,705</u>	<u>133</u>	<u>459</u>	<u>2,297</u>
Net carrying amount				
At 1 January 2017	<u>-</u>	<u>45</u>	<u>-</u>	<u>45</u>
At 31 December 2017	<u>-</u>	<u>64</u>	<u>-</u>	<u>64</u>
At 31 December 2018	<u>4,224</u>	<u>64</u>	<u>-</u>	<u>4,288</u>

Customer relationships

Customer relationships had been fully amortised in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. INTANGIBLE ASSETS (CONT'D)

Goodwill

Goodwill acquired through business combinations in prior years had been allocated to the ECMS CGU for impairment testing. The carrying amount of goodwill had been fully impaired in prior years.

During the year, provisional goodwill arising from acquisition of subsidiaries (Note 13), of \$4,224,000 is allocated entirely to the subsidiaries acquired.

Club memberships

Company	Club memberships S\$'000
Cost	
At 1 January 2017	178
Addition	19
At 31 December 2017, 1 January 2018 and 31 December 2018	<u>197</u>
Accumulated amortisation and impairment loss	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>133</u>
Net carrying amount	
At 1 January 2017	45
At 31 December 2017	64
At 31 December 2018	<u>64</u>

13. INVESTMENTS IN SUBSIDIARIES

	Company		
	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000
Unquoted shares, at cost	23,390	41,017	41,017
Impairment losses	(8,691)	(36,318)	(30,495)
	<u>14,699</u>	<u>4,699</u>	<u>10,522</u>

Impairment assessment of investment in subsidiaries

During the year, management has performed impairment assessments on certain subsidiaries which have been dormant or loss-making. Based on the assessments of the subsidiaries' historical and current performances, the estimated values and probability of future cash flows, management did not make any further impairment charge (2017: \$5,823,000) in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group has the following significant investment in subsidiaries:-

	Name of company (Principal place of business)	Principal activities	Proportion of ownership interest		
			2018	31 December 2017	1 January 2017
			%	%	
Held by the Company					
1	Microfits Pte Ltd (Singapore)	Design and manufacture of automatic moulding machines and other back-ended assembly equipment for the semiconductor industry	100	100	100
2	Microfits (Beijing) Technology Co., Ltd (People's Republic of China)	Manufacturing of precision tools, dies and mould	—	100	100
3	Dragon Microfits Sdn. Bhd. (Malaysia)	Design of precision tools, dies and mould	100	100	100
2	Emerald Precision Engineering Sdn. Bhd. (Malaysia)	Fabrication of tooling, dies and related moulding of spare parts and other related businesses	100	100	100
4	ASA Multiplate (M) Sdn. Bhd. (Malaysia)	Provision of thermal coating, surface finishing of electronics products and specialised electroplating of semiconductor products services	90	90	90
1	Pioneer Venture Pte Ltd (Singapore)	Contract manufacturing solutions of fabricated metal products	100	—	—
5	Yumei Technologies Sdn. Bhd. (Malaysia)	Manufacturing of die-casting products	100	—	—
5	Yumei REIT Sdn. Bhd. (Malaysia)	Investment holding	100	—	—

The above list excludes subsidiaries that are insignificant to the operations of the Group.

- 1 Audited by Ernst & Young LLP, Singapore.
- 2 Audited by member firms of Ernst & Young Global.
- 3 Audited by KCK Associates, Penang, Malaysia.
- 4 Audited by CHI-LLTC, Penang, Malaysia.
- 5 Audited by Crowe, Melaka, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Interest in subsidiary with material non-controlling interests ("NCI")

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Loss allocated to NCI during the reporting period S\$'000	Accumulated NCI at end of reporting period S\$'000
31 December 2018:				
ASA Multiplate (M) Sdn. Bhd.	Malaysia	10%	(38)	(799)
31 December 2017:				
ASA Multiplate (M) Sdn. Bhd.	Malaysia	10%	(81)	(761)
1 January 2017:				
ASA Multiplate (M) Sdn. Bhd.	Malaysia	10%	(64)	(664)

There were no dividends paid to the above NCI during the years ended 31 December 2018 and 31 December 2017.

Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows.

	ASA Multiplate		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Summarised balance sheet			
Current			
Assets	1,053	1,020	904
Liabilities	9,044	8,811	7,601
Net current liabilities	(7,991)	(7,791)	(6,697)
Non-current			
Assets	–	181	57
Net liabilities	(7,991)	(7,610)	(6,640)
Summarised income statement			
Revenue	2,472	2,037	1,486
Loss before income tax	(384)	(807)	(897)
Income tax credit	–	–	255
Loss for the year	(384)	(807)	(642)
Summarised statement of other comprehensive income			
Loss for the year	(384)	(807)	(642)
Other comprehensive income	–	–	128
Total comprehensive income for the year	(384)	(807)	(514)
Other summarised information			
Net cash flows used in operations	(347)	(1,714)	(925)
Acquisition of property, plant and equipment	(17)	(213)	(200)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

On 8 April 2018, the Company entered into a sale and purchase agreement with Mr. Seah Chong Hoe (the "Vendor") to acquire the entire issued and paid-up share capital of (i) Yumei Technologies Sdn. Bhd. ("Yumei Tech"), (ii) Yumei REIT Sdn. Bhd. ("Yumei REIT") and (iii) Pioneer Venture Pte. Ltd. ("PVPL"), collectively known as the "Yumei Group" for a total purchase consideration of \$10,000,000 and recognised provisional goodwill of \$4,224,000. The acquisition was completed on 4 December 2018.

The Group performed a provisional purchase price allocation exercise for the investment of Yumei Group. As the allocation of the purchase price to the identifiable assets and liabilities is currently being determined and has not been completed at the reporting date, the Group's share of the net assets of Yumei Group was based on the estimated fair values of the identifiable assets and liabilities as at 4 December 2018. The purchase price allocation is provisional and the Group expects to complete the purchase price allocation exercise during the second half of 2019.

The Group acquired Yumei Group to improve its financial performance and achieve profitability. It will also result in the contribution of new skills sets in die-casting and plastic injection moulding, enabling the Group to offer a more comprehensive value proposition to a broader customer base across a wider region.

The fair value of the identifiable assets and liabilities of Yumei Group as at the acquisition date on 4 December 2018 were:

	Fair value recognised on acquisition \$'000
Property, plant and equipment	4,677
Cash at bank and on hand	278
Trade receivables	1,821
Other receivables, prepayment and advances	223
Amount due from directors and related parties	746
Inventories	1,506
	<hr/> 9,251
Trade payables	(774)
Other payables and accruals	(411)
Bank overdraft	(791)
Interest-bearing loan and borrowings	(1,038)
Lease creditors	(593)
Provision for taxation	(80)
Deferred tax liabilities	(157)
	<hr/> (3,844)
Total identifiable net assets at fair value	5,407
Goodwill arising from acquisition	4,224
	<hr/> 9,631
<u>Consideration transferred for the acquisition</u>	
Equity instruments issued, net of incidental expenses	6,490
Fair value of deferred cash settlement	3,131
Total consideration transferred	<hr/> 9,621
<u>Effect of the acquisition on cash flows</u>	
Total consideration for 100% equity interest acquired	9,621
Less: non-cash consideration	(9,631)
Consideration settled in cash	—
Less: Cash and cash equivalents of subsidiaries acquired	(513)
Net cash outflow on acquisition	<hr/> (523)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (Cont'd)

Equity instruments issued as part of consideration transferred

On the completion date, ASA has issued and allotted 6,500,000,000 new shares in the capital of the Company at an issue price of \$0.001 per share having an aggregate value of \$6,500,000 (the "Consideration Shares") to the Vendor. Each of the Consideration Shares has been allotted and issued to the Vendor and credited as fully paid.

The Vendor has undertaken to ASA that the aggregated amount of profits (before payment of taxes) of Yumei Group for 2018 and 2019 is not less than \$3,000,000 ("Guaranteed Profit") based on the consolidated audited financial statements of Yumei Group for (i) the financial year commencing 1 March 2018 and ending 28 February 2019 and (ii) the financial year commencing 1 March 2019 and ending 29 February 2020 (the "Profit Guarantee").

During the period of the Profit Guarantee, the Vendor is restricted from assigning, transferring, creating an encumbrance over a value of \$3,000,000 (the "Restricted Shares") of the Consideration Shares as at the issue price.

In the event that the actual profit is less than Guaranteed Profit (the "Shortfall"), the Vendor shall be deemed to appoint the Company to act on its behalf to complete any sale and transfer of the Restricted Shares in order to recover the Shortfall. In addition, if the Company is unable to recover the Shortfall from the sale of all the Consideration Shares, the Vendor will pay the difference between the shortfall and the amount recovered from the sale of all the Consideration Shares.

Consideration arrangement

As part of the agreement, a consideration has been agreed. Additional cash payments shall be payable as follows:

- (a) the sum of \$1,500,000 in cash to the Vendor within the first year following Completion
- (b) the sum of \$2,000,000 to the Vendor within the second year following Completion

Transaction costs

Transaction costs related to the acquisition of \$138,000 have been recognised in the "General and Administrative costs" line item in the consolidated income statement for the year ended 31 December 2018.

Goodwill arising from acquisition

The goodwill of \$4,224,000 comprises the fair value adjustments to the property, plant and equipment based on indicative open market value amounted to \$2,461,000 as at 26 February 2018 as advised by the independent professional valuer. Goodwill is allocated entirely to the subsidiaries acquired.

Disposal of a subsidiary

On 28 September 2018, the Company entered into a sale and purchase agreement with Gao Xi Guo to dispose of the entire issued and paid-up share capital of its wholly-owned subsidiary, Microfits (Beijing) Technology Co., Ltd ("MBT"), at its carrying value, for a consideration of RMB1. The disposal consideration was fully settled in cash. The sale was completed on 28 September 2018, on which date control of MBT passed to the acquirer. Its results have been reclassified as discontinued operations and the comparatives have been restated (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Disposal of a subsidiary

The value of assets and liabilities of MBT recorded in the consolidated financial statements as at 28 September 2018, and the effects of the disposal were:

	2018 \$'000
Property, plant and equipment	86
Inventories	2,503
Trade and other receivables	6,069
Prepayment and advances	228
Cash and cash equivalents	211
	<hr/>
	9,097
Trade and other payables	(6,085)
Due to related companies	(580)
	<hr/>
Carrying value of net assets	2,432
	<hr/>
Cash and cash equivalents of the subsidiary	211
Net cash outflow	(211)
	<hr/>
<u>Loss on disposal:</u>	
Net assets derecognised	(2,432)
Realisation of translation reserve	(148)
	<hr/>
Loss on disposal	(2,580)
	<hr/>

14. INVENTORIES

	2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Balance sheet			
Raw materials	835	960	1,186
Work-in-progress	2,538	2,660	2,131
Finished goods	1,003	1,468	1,429
Trading inventories	182	180	153
Goods-in-transit	–	4	57
	<hr/>	<hr/>	<hr/>
	4,558	5,272	4,956
Allowance for stock obsolescence	(979)	(1,786)	(2,451)
	<hr/>	<hr/>	<hr/>
	3,579	3,486	2,505
	<hr/>	<hr/>	<hr/>
Consolidated income statement			
Inventories recognised as an expense in cost of sales	7,333	16,588	
Inclusive of the following charge/(credit) :-			
- Inventories written-down	234	80	
- Reversal of write-down of inventories	(37)	(346)	
	<hr/>	<hr/>	

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables (current):						
Trade receivables	3,973	8,953	8,713	–	–	–
Amounts due from subsidiaries (Non-trade)	–	–	–	30	3,484	5,622
Amounts due from related companies						
– Trade	–	–	568	–	–	–
– Non-trade	–	–	56	–	–	–
Amounts due from related parties						
– Trade	–	356	–	–	–	–
– Non-trade	730	181	–	–	1	–
Deposits	239	390	365	–	–	–
Other receivables	48	103	118	2	1	2
Total trade and other receivables (current and non-current)	4,990	9,983	9,820	32	3,486	5,624
Add: Cash and cash equivalents (Note 17)	4,576	4,799	2,716	224	61	29
Total financial assets carried at amortised cost	9,566	14,782	12,536	256	3,547	5,653

Trade receivables

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

Related party balances

- The amounts due from subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash except for an amount due from a subsidiary of \$Nil (2017: \$2,000,000) which bear interest at Nil% (2017: 4%) per annum. Included in amounts due from subsidiaries is an amount of \$5,000 (2017: \$5,000; 2016: \$5,000) denominated in US dollars ("USD").
- Amounts due from related companies are unsecured, interest free and are repayable on demand and are to be settled in cash.
- Amounts due from related parties are unsecured, interest free and are repayable on demand and are to be settled in cash. In 2018, \$730,000 pertains to an amount due from related parties are in relation to an amount owing from Mr. Seah Chong Hoe (shareholder and Chief Operating Officer of the Company) upon the acquisition of subsidiaries in Note 13.

Receivables denominated in foreign currencies as at 31 December are as follows:-

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
US Dollars	1,798	3,010	3,699	–	–	–
Malaysian Ringgit	1,474	2,099	2,034	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to 2017: \$3,470,000 (2016: \$2,646,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

Group	31 December 2017 \$'000	1 January 2017 \$'000
Trade receivables past due but not impaired		
Less than 30 days	1,078	1,083
30 to 60 days	1,252	727
61 to 90 days	733	454
91 to 120 days	156	188
121 to 180 days	210	165
More than 180 days	41	29
	3,470	2,646

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of allowance accounts used to record the impairment are as follows:-

Group Individually impaired	31 December 2017 \$'000	1 January 2017 \$'000
Trade receivables – nominal amounts	9,312	8,733
Less: Allowance for impairment	(359)	(20)
	8,953	8,713
 Movements in allowance accounts:-		
At 1 January	20	301
Allowance for impairment	337	–
Utilised	–	(285)
Currency realignment	2	4
At 31 December	359	20

Trade receivables are individually determined to be impaired at the end of the reporting period based on the management's historical experience in the collection of debts from customers. These receivables are not secured by any collateral or credit enhancements.

As at 31 December 2018, the Company has provided an allowance of \$3,313,000 (31 December 2017: \$7,850,000; 1 January 2017: \$5,443,000) for impairment of amounts due from subsidiaries with a nominal amount of \$30,000 (31 December 2017: \$3,484,000 1 January 2017: \$5,622,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

Group	2018 \$'000
Movement in allowance accounts	
At 1 January	359
Write back of allowance	(338)
Currency realignment	(1)
At 31 December	20

16. PREPAYMENTS AND ADVANCES

	Group			Company		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Prepayments	73	93	183	7	7	6
Advances	66	264	385	–	–	–
	139	357	568	7	7	6

Advances relate mainly to advance payments made to suppliers of goods and professional services.

17. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cash at banks and on hand	4,576	4,799	2,716	224	61	29
Bank overdraft (Note 20)	(740)	–	–	–	–	–
Cash and cash equivalents	3,836	4,799	2,716	224	61	29

Cash and cash equivalents denominated in foreign currencies as at 31 December are as follows:-

	Group			Company		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
US Dollars	723	1,604	817	2	2	2
Malaysian Ringgit	2,435	1,192	1,038	–	–	–

Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. OTHER LIABILITIES AND PROVISIONS

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	2,019	1,951	1,901	296	271	218

	Warranties	Group Reinstatement Cost	Total
	\$'000	\$'000	\$'000
At 1 January 2017	43	—	43
Arose during the financial year	420	—	420
Utilised	(355)	—	(355)
At 31 December 2017 and 1 January 2018	108	—	108
Arose during the financial year	58	60	118
Utilised	(123)	—	(123)
At 31 December 2018	43	60	103
<u>2018</u>			
Current	43	60	103
	43	60	103
<u>31 December 2017</u>			
Current	108	—	108
	108	—	108
<u>1 January 2017</u>			
Current	43	—	43
	43	—	43

Warranties

The Group provides a one-year warranty on certain products under which faulty products are repaired or replaced. The amount of the accrual is based on the sales volume and past experience with the level of repairs and returns.

Reinstatement cost

Provision for reinstatement costs is recognised when the Group enters into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables (current):						
Trade payables	3,279	8,103	7,091	60	53	68
Amount due to a director of a subsidiary	–	33	185	–	–	–
Other creditors	622	699	910	–	–	–
Customer deposits	574	105	116	–	–	–
Deferred cash settlement (Note 13)	1,396	–	–	1,500	–	–
Amounts due to subsidiaries (Non-trade)	–	–	–	599	1,364	1,302
Amounts due to related companies						
– Trade	–	–	32	–	–	–
– Non-trade	–	–	210	–	–	36
Amounts due to related parties (Non-trade)	6,906	4,839	–	6,310	3,932	–
Amounts due to holding company* (Non-trade)	–	–	5,027	–	–	4,964
Total trade and other payables (current)	12,777	13,779	13,571	8,469	5,349	6,370
Other payables (non-current):						
Deferred cash settlement (Note 13)	1,735	–	–	2,000	–	–
Amounts due to holding company* (Non-trade)	–	–	2,843	–	–	2,843
Total trade and other payables (current and non-current)	14,512	13,779	16,414	10,469	5,349	9,213
Add:						
- Other liabilities (Note 18)	2,019	1,951	1,901	296	271	218
- Loans and borrowings (Note 20)	2,193	9	9	–	–	–
Total financial liabilities carried at amortised cost	18,724	15,739	18,324	10,765	5,620	9,431

*Amounts due to holding company relates to amounts owing to ASTI Holdings Limited as holding company prior to its cessation

Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 – 120 days' terms.

Amount due to a director of a subsidiary

Amount due to a director of a subsidiary as at 1 January 2017 and 31 December 2017 amounted to \$185,000 and \$33,000 respectively. The payable is unsecured, interest-free, repayable on demand and to be settled in cash.

In year 2017, ASA Multiplate entered into further loans with a director of ASA Multiplate amounting to \$178,000 (1 January 2017: \$185,000). The loans are interest bearing except for an amount of S\$17,000 (1 January 2017: \$107,000) which is non-interest bearing. The interest-bearing loans bear interest ranging from 5% to 5.3% per month. These loans have been fully repaid as at 31 December 2017. The total interest in relation to these loans, paid to a director of ASA Multiplate during the year amounted to \$Nil (2017: \$15,000).

Other creditors

In 2017, ASA Multiplate entered into interest bearing, unsecured loans with individuals amounting to \$507,000 (1 January 2017: \$390,000), which bear an interest ranging from 5% to 6% per month. These loans have been fully repaid as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER PAYABLES (CONT'D)

Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash. Included in amounts due to subsidiaries is an amount of \$247,000 (2017: \$242,000; 2016: \$261,000) denominated in USD.

Amounts due to related companies

Amounts due to related companies are unsecured, interest-free, repayable on demand and are to be settled in cash.

Amounts due to related parties

Amounts due to related parties are interest free, unsecured, repayable on demand and to be settled in cash except for outstanding balance of \$6,291,000 (2017: \$3,891,000; 2016: \$Nil) which bears effective interest rates ranging from 3.39% to 5.33% (2017: 3.92% to 4.13%; 2016: Nil) per annum, is repriced on a quarterly basis.

	-----Non-cash changes-----					
	2017	Cash flow	Acquisition	Foreign exchange movement	Other	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Amounts due to related parties	4,839	2,400	—	—	(333)	6,906

	-----Non-cash changes-----					
	1 January 2017	Cash flow	Acquisition	Foreign exchange movement	Other	31 December 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Amounts due to related parties	—	1,065	—	—	3,774	4,839

Amounts due to holding company

Amount due to holding company is interest free, unsecured, repayable on demand and to be settled in cash except for outstanding balance of \$Nil (2017: \$Nil; 2016: \$7,781,000) which bears effective interest rates ranging from 3.88% to 4.32% for 2016, and is repriced on a quarterly basis. The amount due to holding company is reclassified to amount due to related parties following the rights issue as ASTI Holdings Limited ceased to be the holding company in 2017.

Payables denominated in foreign currencies as at 31 December are as follows:-

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
US Dollars	870	283	271	—	—	—
Malaysian Ringgit	2,927	387	3,342	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. LOANS AND BORROWINGS

			Group		
	Effective interest rate ⁽¹⁾		2018	31 December 2017	1 January 2017
	(Per annum)	Maturity	\$'000	\$'000	\$'000
Current liabilities:					
Obligations under finance leases (Note 24)	6.23% (2017: 6.49%)	2019	283	9	9
Bank overdrafts	7.76% (2017: Nil%)	On demand	740	—	—
Trust receipts	8.76% (2017: Nil%)	On demand	53	—	—
Secured loan	5.71% (2017: Nil%)	2019	27	—	—
Unsecured loan ⁽²⁾	6.25% (2017: Nil%)	On demand	93	—	—
Unsecured loan ⁽³⁾	10.88% (2017: Nil%)	2019	111	—	—
Unsecured loan ⁽⁴⁾	9.10% (2017: Nil%)	2019	69	—	—
Unsecured loan ⁽⁵⁾	6.25% (2017: Nil%)	2019	30	—	—
Unsecured loan ⁽⁵⁾	6.99% (2017: Nil%)	2019	55	—	—
			1,461	9	9
Non-current liabilities:					
Obligations under finance leases (Note 24)	6.23% (2017: 6.49%)	2021	297	—	—
Secured loan ⁽¹⁾	5.71% (2017: Nil%)	2027	322	—	—
Unsecured loan ⁽³⁾	10.88% (2017: Nil%)	2020	113	—	—
Total loan and borrowings			2,193	9	9

(1) Based on weighted average effective interest rate.

Bank overdrafts

Bank overdrafts are denominated in MYR, bear interest at 0.75% above the bank's base lending rate ("BLR") from time to time and are secured over certain properties.

Trust receipts

Trust receipts are drawn for a period of up to 120 days which are renewable upon maturity and bear interest at 8.76% per annum. The loan is secured by a fixed charge over certain properties.

Secured loan

The term loan is repayable in monthly instalment and mature on 2027. The loan is secured by the following:

- (i) by way of fixed charge over the long leasehold land and building of a related company;
- (ii) by joint and several guarantee of certain directors of a subsidiary; and
- (iii) by corporate guarantee from a subsidiary

Unsecured loan

⁽²⁾ AR financing is joint and several guarantees by Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

⁽³⁾ This term loan is joint and several guarantees by Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

⁽⁴⁾ This term loan is joint and several guarantees by the Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

⁽⁵⁾ Working capital loan from Orix Capital are entered for the drilling and vertical machines purchased and are personally guaranteed by Mr. Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

20. LOANS AND BORROWINGS (CONT'D)

The aggregate balance of bank borrowings that are denominated in Malaysia Ringgit is \$1,143,000 (2017: \$Nil; 2016: \$Nil).

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

	-----Non-cash changes-----					2018 S\$'000
	2017 S\$'000	Cash flow S\$'000	Acquisition S\$'000	Foreign exchange movement S\$'000	Other S\$'000	
Finance lease	9	(23)	593	—	1	580
Loans and borrowings						
- Current	—	(148)	1,380	(55)	1	1,178
- Non-current	—	(16)	449	2	—	435
	9	(187)	2,422	(53)	2	2,193

21. SHARE CAPITAL

	Group and Company		
	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Issued and fully paid :-			
At beginning of the year:-			
15,824,126,058 (2017: 2,637,354,343; 2016: 2,637,354,343) ordinary shares	142,351	130,965	130,965
Issuance of 13,186,771,715 new ordinary share pursuant to rights issue	—	11,868	—
Issuance of 6,500,000,000 new ordinary share pursuant to sale share	6,500	—	—
Share issuance expenses	(10)	(482)	—
At end of the year:-			
22,324,126,058 (2017: 15,824,126,058; 2016: 2,637,354,343) ordinary shares	148,841	142,351	130,965

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

22. OTHER RESERVES

(a) Merger reserve

Merger reserve represents the difference between the consideration paid and the net assets of a subsidiary restructured under common control in prior years.

(b) Foreign currency translation reserve

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

23. DIVIDENDS

The directors do not recommend any dividend in respect of the financial year ended 31 December 2018. No dividend has been paid or declared since the end of the previous financial year.

24. COMMITMENTS

(a) Operating lease commitments – as lessee

The Group leases certain properties and office equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates until September 2021 and contain provisions for rental adjustments. These leases have no renewal option. The Group is restricted from subleasing the leased properties and office equipment to third parties.

Operating lease payments recognised in the Group's profit or loss during the year amounted to \$350,000 (2017: \$1,108,000).

Future minimum lease payments for all leases with initial or remaining term of one year or more are as follows:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	407	858
Later than one year but not later than five years	469	2,101
	876	2,959

Lease commitments for the Group as at 31 December 2018 and 2017 relate mainly to the subsidiaries' rental payments for their office and factory premises.

(b) Finance lease commitments – as lessee

The Group has finance leases for certain items of plant and equipment. Certain leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. All assets acquired under finance leases are secured. The net book values of assets acquired under finance leases are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

24. COMMITMENTS (CONT'D)

(a) Finance lease commitments – as lessee

Future minimum lease payments under finance leases together with present value of the net minimum lease payments are as follows:

Group	Minimum lease payments			Net present value of lease payments (Note 20)		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Within one year	312	10	10	283	9	9
Within two to five years	313	–	–	297	–	–
	625	10	10	580	9	9
Finance charges allocated to future periods	(45)	(1)	(1)	–	–	–
	580	9	9	580	9	9
Current portion				283	9	9
Non-current portion				297	–	–
				580	9	9

25. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018 \$'000	2017 \$'000
Salaries and bonuses	4,854	4,544
Employer's contribution to defined contribution plans	479	439
Retrenchment benefits	324	–
Other benefits	42	42
	5,699	5,025

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Transactions with ASTI Group being the Group's holding company:-				
Sales of goods	–	659	–	–
Corporate support cost	–	(300)	–	–
Interest expense on loans	–	(147)	–	(147)
Transactions with ASTI Group being the Group's related parties:-				
Sales of goods	427	417	–	–
Corporate support cost	–	(300)	–	–
Interest expense on loans	(209)	(76)	(209)	(76)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000

Transactions with key management personnel being the Group's related parties:-

Consultancy fees	(18)	—	—	—
Rental expense paid	(10)	—	—	—

	Group	
	2018	2017
	\$'000	\$'000

Compensation to directors of the Company

- Directors' fee proposed	132	132
- Directors' remuneration	845	845

Compensation of key management personnel

- Salaries	553	620
- Employer's contribution to defined contribution plans	10	20

Total compensation paid to directors and key management personnel

1,540	1,617
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Comprise amounts paid/payable to:

- Directors of the Company	977	977
- Other key management personnel	563	640

1,540	1,617
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28. FINANCIAL SUPPORT

The Company has agreed to provide financial support to certain subsidiaries to meet their liabilities as and when they fall due.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the year under review, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risk. There has been no change to the Group's and the Company's exposure to above-mentioned financial risks or the manner in which the Group and the Company manage and measure these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the amount due to related parties and loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts in a cost-efficient manner.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Interest rate risk (Cont'd)

The following table sets out the carrying amount of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Floating rate				
Amounts due to related parties	6,308	3,916	6,308	3,916
Loans and borrowings (Note 20)	2,194	9	–	–
	8,502	3,925	6,308	3,916

Interest on financial instruments and amount due to related parties subject to floating interest rates is repriced as and when there is a change in the prevailing market interest rate. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 50 (2017: 50) basis points higher/lower with all other variables held constant, the Group and the Company's net loss before tax would have been \$32,000 higher/lower (2017: \$20,000 higher/lower) and \$32,000 higher/lower (2017: \$20,000 higher/lower) respectively.

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit ("MYR"). The foreign currency in which these transactions are denominated is mainly USD. Approximately 49% (2017: 53%) of the Group's sales are denominated in foreign currencies whilst almost all of its costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures. If necessary, the Group uses forward currency contracts to mitigate the currency exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (in USD) amount to \$723,000 (2017: \$1,604,000) and \$2,000 (2017: \$2,000) for the Group and the Company respectively.

Sensitivity analysis for foreign currency risk

If the USD exchange rate strengthened/weakened by 5% (2017: 5%) with all other variables held constant, the Group's net loss before tax would have been \$58,000 lower/higher (2017: \$192,000 lower/higher).

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other debtors and amounts due from subsidiary companies. For other financial assets (including available-for-sale financial assets and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 360 days when they fall due, which are derived based on the Group's historical information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (Cont'd)

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Actual or expected significant changes in the operating results of the counterparty
- Significant increases in credit risk on other financial instruments of the counterparty
- Significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

The Group categorizes a loan or receivable for potential write-off when a debtor fails to make contractual payments on a specific basis. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

31 December 2018	Contract assets	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	109	1,642	1,533	310	508	3,993
Loss allowance provision	—	—	—	—	20	20

Information regarding loss allowance of trade receivables is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (Cont'd)

Credit risk concentration profile

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

	Group			
	2018		2017	
	\$'000	% of total	\$'000	% of total
China	316	8	5,967	67
South East Asia	3,528	89	2,749	31
America	26	1	-	-
Europe	103	2	237	2
	3,973	100	8,953	100

Exposure to credit risk

At the date of statement of financial position, the Group's and the Company's exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position

There is no significant credit risk exposure faced by the Group in 2018 and 2017.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding trade debtors that are either past due or impaired is disclosed in Note 15.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group monitors its liquidity risk and is currently dependent on its cash flow generated from operations and if necessary, advances from its holding company to support its working capital. The Group also ensures availability of bank credit lines to address any short-term funding requirement.

The Group's and the Company's liquidity risk management policy is that not more than 70% (31 December 2017: Nil%, 1 January 2017: Nil%) of loans and borrowings (including overdrafts) should mature in the next one year period, and that to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of the reporting period, approximately 67% (31 December 2017: Nil%, 1 January 2017: Nil%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, excluding discontinued operation. None (31 December 2017: none 1 January 2017: none) of the Company's loans and borrowings will mature in less than one year at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Analysis of financial instruments by the remaining contractual maturities

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

Group	2018				31 December 2017			
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial assets:								
Trade and other receivables	4,990	—	—	4,990	9,983	—	—	9,983
Cash and cash equivalents	4,576	—	—	4,576	4,799	—	—	4,799
Total undiscounted financial assets	9,566	—	—	9,566	14,782	—	—	14,782
Financial liabilities:								
Trade and other payables	12,777	1,735	—	14,512	13,779	—	—	13,779
Other liabilities	2,019	—	—	2,019	1,951	—	—	1,951
Lease creditors	312	313	—	625	10	—	—	10
Loans and borrowings	1,271	488	—	1,759	—	—	—	—
Total undiscounted financial liabilities	16,379	2,536	—	18,915	15,740	—	—	15,740
Total net undiscounted financial liabilities	(6,813)	(2,536)	—	(9,349)	(958)	—	—	(958)

Group	1 January 2017			
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial assets:				
Trade and other receivables	9,820	—	—	9,820
Cash and cash equivalents	2,716	—	—	2,716
Total undiscounted financial assets	12,536	—	—	12,536
Financial liabilities:				
Trade and other payables	13,571	2,843	—	16,414
Other liabilities	1,901	—	—	1,901
Lease creditors	10	—	—	10
Total undiscounted financial liabilities	15,482	2,843	—	18,325
Total net undiscounted financial liabilities	(2,946)	(2,843)	—	(5,789)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Analysis of financial instruments by the remaining contractual maturities (Cont'd)

Company	2018				31 December 2017			
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial assets:								
Trade and other receivables	32	–	–	32	3,486	–	–	3,486
Cash and cash equivalents	224	–	–	224	61	–	–	61
Total undiscounted financial assets	256	–	–	256	3,547	–	–	3,547
Financial liabilities:								
Trade and other payables	8,469	2,000	–	10,469	5,349	–	–	5,349
Other liabilities	296	–	–	296	271	–	–	271
Total undiscounted financial liabilities	8,765	2,000	–	10,765	5,620	–	–	5,620
Total net undiscounted financial liabilities	(8,509)	(2,000)	–	(10,509)	(2,073)	–	–	(2,073)

Company	1 January 2017			
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial assets:				
Trade and other receivables	5,624	–	–	5,624
Cash and cash equivalents	29	–	–	29
Total undiscounted financial assets	5,653	–	–	5,653
Financial liabilities:				
Trade and other payables	6,370	2,843	–	9,213
Other liabilities	218	–	–	218
Total undiscounted financial liabilities	6,588	2,843	–	9,431
Total net undiscounted financial liabilities	(935)	(2,843)	–	(3,778)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

30. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

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

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

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

During the years ended 31 December 2018 and 2017, there have been no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

b) Level 3 fair value measurements

Valuation policies and procedures

The Group's Financial Controller who is assisted by the team (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

c) Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's liabilities not measured at fair value, for which fair value is disclosed:-

	Group			
	2018 \$'000		2017 \$'000	
	Carrying amount	Fair Value (Level 3)	Carrying amount	Fair Value (Level 3)
Financial liabilities				
<i>Lease creditors</i>				
Obligations under finance leases	580	580	9	10

The fair values of obligations under finance leases as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the end of the reporting period. The obligations under finance leases are expected to be repaid within the next 12 months.

Management has determined that the carrying amounts of loans and borrowings based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

31. CAPITAL MANAGEMENT

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

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The Group monitors its monthly cash flows and also manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease creditors, amount due to related companies, amount due to holding company, trade payables and accruals, and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

	Group	
	2018 \$'000	2017 \$'000
Loans and borrowings	1,613	–
Lease creditors	580	9
Trade and other payables	14,512	13,779
Other liabilities	2,019	1,951
Less: Cash at bank and on hand	(4,576)	(4,799)
<i>Net Debt</i>	14,148	10,940
Equity attributable to owners of the Company	6,117	5,606
<i>Total Capital</i>	6,117	5,606
Capital and net debt	20,265	16,546
Gearing ratio	70%	66%

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- I. The Equipment segment is mainly engaged in designing and manufacturing Automatic Moulding machines and other back-ended assembly equipment for the semiconductor industry.
- II. The Equipment Contract Manufacturing Services ("ECMS") segment is mainly engaged in precision engineering and fabrication assembly of parts for both semiconductor and non-semiconductor industries.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

32. SEGMENT INFORMATION (CONT'D)

	Equipment		ECMS		Discontinued operation		Adjustment and elimination		Note	Consolidation	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000
Revenue											
Segmental revenue	4,038	9,412	12,191	9,455	10,691	12,400	(10,691)	(12,400)	A	16,229	18,867
- External sales	16	—	13	31	—	—	(29)	(31)	B	—	—
- Inter-segment sales	4,054	9,412	12,204	9,486	10,691	12,400	(10,720)	(12,431)		16,229	18,867
Results:											
EBITA (Note C)	(3,072)	(2,472)	1,215	670	(3,266)	(2,565)	3,324	2,565	A	(1,799)	(1,802)
Interest income	73	43	52	60	2	3	(109)	(87)		18	19
Interest expense	(183)	(240)	(107)	(236)	—	—	49	84		(241)	(392)
Depreciation	(25)	(34)	(404)	(272)	(13)	(300)	13	300	A	(429)	(306)
Loss before tax	(3,207)	(2,703)	756	222	(3,277)	(2,862)	3,277	2,862		(2,451)	(2,481)
Income tax expense	(5)	(5)	(346)	(262)	—	—	—	—		(351)	(267)
Segment results	(3,212)	(2,708)	410	(40)	(3,277)	(2,862)	3,277	2,862	A	(2,802)	(2,748)
Additions to non-current assets (Note D)	66	38	951	757	—	1,519	—	—		1,017	2,314
Segment assets	3,216	5,094	21,406	5,844	—	9,818	—	—		24,622	20,756
Segment liabilities	13,188	6,978	6,116	2,655	—	6,278	—	—		19,304	15,911

- A. The amounts relating to discontinued operation has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income with one line item, "loss from discontinued operation, net of tax".
- B. Inter-segment revenues are eliminated on consolidation.
- C. Elimination of unrealised gains and losses arising from inter-segment transactions.
- D. Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

32. SEGMENT INFORMATION (CONT'D)

1 January 2017	Equipment \$'000	ECMS \$'000	Discontinued operation \$'000	Adjustment and elimination \$'000	Consolidation \$'000
Segment assets	3,200	6,122	8,264	—	17,586
Segment liabilities	9,990	3,403	5,003	—	18,396

Geographical information

Revenue and non-current assets are based on geographical locations of the entities:

	Revenue		Non-current assets		
	2018 \$'000	2017 \$'000	2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
China	2,975	3,858	—	—	525
Singapore	4,298	3,220	8,396	138	116
Malaysia	8,327	6,772	2,778	1,940	1,255
United States of America	6	20	—	—	—
France	302	4,410	—	—	—
Others	321	587	—	—	—
Total	16,229	18,867	11,174	2,078	1,896

Non-current assets information presented above consist of intangible assets and property, plant and equipment as presented in the consolidated balance sheet.

Information about major customers

Revenue from one major customer amounted to \$2,963,000, arising from sales by Equipment segment (2017: \$4,410,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

33. RECLASSIFICATION

Certain reclassifications have been made to the comparative figures to enhance comparability with the current year's financial statements. As a result, the following line items have been reclassified:

	Group		Company	
	As previously reported \$'000	As restated \$'000	As previously reported \$'000	As restated \$'000
Balance sheet				
Trade receivables	8,953	—	—	—
Other receivables	493	—	1	—
Amounts due from subsidiaries	—	—	3,484	—
Amounts due from related parties	537	—	1	—
Trade and other receivables	—	9,983	—	3,486
	9,983	9,983	3,486	3,486
Trade payables and accruals	10,162	—	324	—
Other payables	837	—	—	—
Amounts due to subsidiaries	—	—	1,364	—
Amounts due to related parties	4,839	—	3,932	—
Provisions	—	108	—	—
Other liabilities	—	1,951	—	271
Trade and other payables	—	13,779	—	5,349
	15,838	15,838	5,620	5,620
Cash flow statement				
<u>Changes in working capital</u>				
Increase in receivables	(443)	—		
Increase in amounts due from related companies	(111)	—		
Decrease in amounts due from related parties	198	—		
Increase in trade and other receivables and contract assets	—	(356)		
Increase in payables	747	—		
Increase in amounts due to related companies	341	—		
Decrease in amounts due to related parties	(456)	—		
Increase in amount due to holding company	502	—		
Decrease in trade and other payables, contract liabilities and other liabilities	—	1,134		
	778	778		

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 30 May 2019, the Company entered into a loan with a director amounting to \$500,000, which bears an interest of 5% per annum. The loan is taken up for working capital purposes.

35. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 5 July 2019.

APPENDIX 3

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2018

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 25 June 2019

Number of Equity Securities	:	22,324,126,058
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

The Company does not have any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	691	10.24	43,707	0.00
100 - 1000	1,979	29.43	803,605	0.00
1,001 - 10,000	1,901	28.27	7,848,449	0.04
10,001 - 1,000,000	1,761	26.19	307,969,313	1.38
1,000,001 and above	392	5.83	22,007,460,984	98.58
Total	6,724	100.00	22,324,126,058	100.00

TWENTY LARGEST SHAREHOLDERS

S/No	Name of Shareholders	No. of Shares	%
1.	SEAH CHONG HOE	6,500,000,000	29.12
2.	ASTI HOLDINGS LIMITED	5,800,791,930	25.98
3.	DATO' MICHAEL LOH SOON GNEE	4,444,444,444	19.91
4.	TAN ENG CHUA EDWIN	514,797,000	2.31
5.	PHILLIP SECURITIES PTE LTD	273,951,188	1.23
6.	LOH CHOON KHIANG	255,555,555	1.14
7.	LOH CHOON PIEW	255,555,555	1.14
8.	RAFFLES NOMINEES (PTE.) LIMITED	177,476,850	0.80
9.	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	150,000,039	0.67
10.	OCBC SECURITIES PRIVATE LIMITED	149,194,184	0.67
11.	ONG HEAN KOOI	141,120,267	0.63
12.	TAN CHIP SIN	140,931,900	0.63
13.	MAYBANK KIM ENG SECURITIES PTE. LTD.	113,345,853	0.51
14.	WONG HAN YEW	110,999,000	0.50
15.	TAN SZE SENG	85,000,633	0.38
16.	TEO YONG PING (ZHANG RONGBIN)	80,000,000	0.36
17.	DBS NOMINEES (PRIVATE) LIMITED	75,302,350	0.34
18.	LIM SOK PECK OR NG HAN KEOW	73,000,000	0.33
19.	NG HAN KEOW	73,000,000	0.33
20.	LIM & TAN SECURITIES PTE LTD	60,356,131	0.27
Total		19,474,822,879	87.25

Based on the information available to the Company as at 25 June 2019, approximately 24.99% of the total number of issued ordinary shares of the Company is held by the public. Therefore Rule 723 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited is complied with.

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%	Total Interest	Total %
Seah Chong Hoe	6,500,000,000	29.12	-	-	6,500,000,000	29.12
ASTI Holdings Limited	5,800,791,930	25.98	-	-	5,800,791,930	25.98
Dato' Michael Loh Soon Gnee	4,444,444,444	19.91	-	-	4,444,444,444	19.91

APPENDIX 4

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

ADVANCED SYSTEMS AUTOMATION LIMITED

(Company Registration No. 198600740M)

(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of Advanced Systems Automation Limited (the “**Company**”) will be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Tuesday, 30 July 2019 at 1.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr. Mohd. Sopiyan B. Mohd. Rashdi who is retiring pursuant to Regulation 105 of the Company’s Constitution. [See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Dr Kenneth Yu Keung Yum who is retiring pursuant to Regulation 105 of the Company’s Constitution. [See Explanatory Note (ii)] **(Resolution 3)**
4. To approve the payment of Directors’ fees of S\$132,000 for the financial year ended 31 December 2018 (2017: S\$132,000). **(Resolution 4)**
5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. AUTHORITY TO ISSUE SHARES

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

- (a) (i) allot and 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) options, warrants, debentures or other Instruments convertible into Shares,

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

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

PROVIDED ALWAYS 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 but excluding Shares which may be issued pursuant to any adjustments effected under any relevant instrument), does not exceed 100 per cent of the 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 shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding Shares which may be issued pursuant to any adjustments effected under any relevant instrument) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings, as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Share that may be issued under sub-paragraph (1) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the date of the passing of this Resolution, after adjusting for:
- (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed, provided the share options were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (b) 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 Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution; and
- (4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force (i) 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 earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, or made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)]

(Resolution 6)

By Order of the Board

Theng Searn Por
Company Secretary
Singapore, 15 July 2019

Explanatory Notes:

- (i) Mr. Mohd. Sopiyan B. Mohd. Rashdi will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules.
- (ii) Dr Kenneth Yu Keung Yum will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules.
- (iii) The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, and will be effective 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 or such authority is varied revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, as follows:
 - (a) in any *pro-rata* issue of Shares, up to a number not exceeding, in total, 100 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings); and
 - (b) in any issue of Shares other than on a *pro-rata* basis, up to a number not exceeding 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
3. If the member is a corporation, the instrument appointing a proxy or proxies must be under its common seal or the hand of its attorney or a duly authorised officer.
4. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or its wholly-owned subsidiary which provides nominee services and 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 (“CPF”) Board established by the Central Provident Fund Act, Chapter 36 of Singapore (“CPF Act”), in respect of shares purchased under the subsidiary legislation made under that CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416**, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.
6. A Depositor shall not be regarded as a member entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

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

*This notice has been reviewed by the Company's sponsor, SAC Capital Private Limited (the “**Sponsor**”).*

*This notice has not been examined or approved by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.*

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

APPENDIX 5

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2018

PROXY FORM

ADVANCED SYSTEMS AUTOMATION LIMITED

(Company Registration No. 198600740M)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

I/We*, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of Advanced Systems Automation Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her*, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the 33rd Annual General Meeting (the "Meeting") of the Company to be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Tuesday, 30 July 2019 at 1.30 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her* discretion, as he/her* will on any other matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr. Mohd. Sopiyan B. Mohd. Rashdi as a Director of the Company		
3	Re-election of Dr Kenneth Yu Keung Yum as a Director of the Company		
4	Approval of Directors' fees amounting to S\$132,000 for the financial year ended 31 December 2018		
5	Re-appointment of Messrs Ernst & Young LLP as the Auditors of the Company and authority for Directors to fix their remuneration		
6	Authority for Directors to allot and issue shares in the capital of the Company		

Note: Voting will be conducted by poll.

Dated this _____ day of _____ 2019

Signature of Shareholder(s)/or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Important: Please read notes overleaf

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

Notes:

1. A member entitled to attend and vote at the Meeting of the Company is entitled to appoint no more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company,
2. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such 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 ("SFA"), 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 ("CPF Act"), in respect of shares purchased under the subsidiary legislation made under that CPF 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 proxy need not be a member of the Company.
 5. A member should insert the total number of Shares held by him/her. If the member has ordinary shares entered against his/her name in the Depository Register (as defined in the SFA), he/she should insert that number. If the member has ordinary shares registered in his/her name in the Register of Members, he/she should insert that number. If the member has ordinary shares entered against his/her name in the Depository Register and ordinary shares registered in his/her name in the Register of Members, he/she should insert the aggregate number. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the ordinary shares held by the member.
 6. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416**, not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be given under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 8. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such body corporate.
 9. Where an instrument appointing a proxy is signed on behalf of the appointor or by an attorney the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 10. The Company shall be entitled to reject the instrument appointing a proxy and proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instruments of appointor specified in the instrument appointing a proxy or proxies.
 11. In the case of members 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 the shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By attending the Meeting and/or any adjournment thereof or 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 15 July 2019.

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ADVANCED SYSTEMS AUTOMATION LIMITED

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