

CITICODE LTD

ANNUAL REPORT **2018**

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CORPORATE PROFILE



Listed on the Mainboard of the Singapore Exchange since 2004, Citicode Ltd ("**Citicode**"), is the result of our business transformation and corporate re-branding from the former Advance SCT Limited. Citicode or 城式企业 in Chinese, reflects our new corporate platform for growth. New Board, New Management – we build a coherent strategic thinking foundation to transform Citicode.

Citicode has since diversified into the businesses of M&E for mission critical facilities and infrastructure ("MCFI") and mission critical system ("MCS"); with our strategic planning of structuring an eco-system to support smart facilities management and smart city applications with **AI and IoT** capabilities.

Citicode also has a subsidiary which trades exchange-regulated metal products.

CHAIRMAN & CEO'S STATEMENT



DEAR STAKEHOLDER,

This is my first letter to you, as your newly appointed Chairman and CEO who is and will be managing 'our investments' in this Company. Quite a few investors asked me during our recent EGMs – why, when and how did I end up invested here?

BACKGROUND

After completing the major turnaround plans for the SGX Mainboard-listed Sapphire Corporation, I stepped down as its Managing Director and CEO in December 2017. Since then, I had been approached for deals, corporate posts, other restructuring proposals and various other forms of ventures. I was first introduced to the then Advance SCT over afternoon coffee and a few days later, I signed deals acquiring some 28.7% interest from various vendors and then became a substantial shareholder and your Chairman in June 2018. Separately, other sophisticated investors – ICH partners and Anthony Tan – invested at the same time as well. Both corporate veterans, Fong Heng Boo and Chan Yu Meng subsequently joined the Board as independent directors.

This is how I started my 'pay-to-work' here, and knowingly corporate transformation jobs can sometime be a notoriously knotty experience and an excruciatingly slow exercise. Whatever it is, I just have one key objective for myself, and for some hopeful and legacy shareholders – which is to have my interest aligned with yours.

By the time we hold our upcoming AGM April 2019, we had held 3 EGMs and will have met each other 4 times in just 7 months. Meanwhile, if you wish to contact me, you can find my email address here or alternatively, you can write to my Financial Controller as well.

OVERVIEW

I am well aware of our modest ability to leverage given the existing state of affairs and the decade-long legacy. We also have a legacy base of negative equity and we are obviously not backed by any tycoons (hopefully not just yet). So, we need time to rebuild our asset base from scratch. In doing so, we must not be overly aggressive and compulsive while exploring opportunities. We can think of enterprising ideas but we must avoid a rhetorical frippery. In evaluating deals, you can be assured that we will avoid embellished stories in our corporate re-building strategies and we will not sign off hard-hitting deals when reaching out to our business networks.

STRATEGIES

In November 2018, we announced our business diversification strategy and concurrently, we proposed to change our name to "Citicode Ltd". Specifically, we intend to diversify into smart M&E and Infrastructure Engineering business with potential capabilities to support smart city applications – these proposals were subsequently approved by shareholders in February 2019. I think the change of name is good as it reflects the change in our businesses while we are re-profiling and re-branding so potential investors can be more imaginative of what we intend to do. At the same time, we will continue our trading business while scaling down our trading size, as we remain mindful of the fickle US-China trade tension.

More recently, I have been leading a few discussions for possible accretive acquisition, strategic collaboration project participation. In evaluating deals, there are certain specific financial risks which we want to avoid (i.e. no cash calls or fund raising for cash acquisition of asset-heavy deals) and there are certain practical ways which we could explore (i.e. I believe shares swap deals, strategic collaboration or synergetic joint venture which align interests with our business partners will meet our commercial objectives for the time being). I hope we can nail down a few constructive proposals over the next few months.

CHAIRMAN & CEO'S STATEMENT

As we map out our strategies for implementation along the way, we think we should be tech-driven but not necessarily tech-focus – as tech-focus research in 'smart engineering' need deep pockets. Tech-driven strategy is to navigate for the niche whereas tech-focus efforts need players to be rich to stay in the niche. Ideas to build intelligent engines are great but the capabilities to develop such powerful deep machine learning bots can be quite elusive in such areas of expertise. In this aspect, we will work with experts (instead of investing directly) who can help implement 'actionable' AI into industrial environment, for household activities and in consumer-driven applications. I have to say it will be much more realistic to be less ambitious but be more incremental as I believe, to commercialise innovation, it should be collaborative.

OUTLOOK

Most of us will probably agree that the density of Singapore has made it suitable to initiate and implement various innovative digital transformation plans. Given so, our priority is to build an eco-system on the fringe of our smart nation initiative and we could provide such supportive roles. Our proposed acquisition of 40% in the equity of M&E specialist, N&T, is our recent corporate plan and we believe they could expand their operations to support smart facilities management.

Meanwhile, it is obviously not easy to operate in such a competitive environment where smaller and humble SMEs like us are competing with much larger scale players, which are backed by abundant supply of resources. However, we are somehow encouraged by what we believe to be a sustainable business (despite our size) given the commercial potential of smart city applications.

Whilst we are limited by our size, I hold the belief that a business platform in Singapore, will enable us to strengthen our eco-system and enlarge business opportunities for us beyond Singapore, to elsewhere in other parts of Southeast Asia. In this aspect, our strategic partners appreciate that Citicode is a Singapore-based publicly listed company managed by professionals. I thus hope to build a good platform with and for my strategic partners from here.

THANK YOU

During the EGM for approval of our new businesses and new Company name, the small conference room was surprisingly filled with people and our staff had to pull more chairs over. We proactively engaged with shareholders in almost an hour-long Q&A session basically on what we intend to do and how are we going to achieve it. Shareholders were updated on new business, business strategies, risk factors and business uncertainty.

I have to sincerely thank 'old' shareholders for your patience and thank 'new' shareholders for your confidence. Whilst I am quite sure there are still many dissatisfied shareholders from the legacy business (who may have given up), it was rather encouraging to hear a supportive shareholder expressing his confidence "*who know this will be a blue-chip one day under your leadership*....". While we all know he was just joking and probably trying to alleviate some headaches and stress for others, his vested interest in asking good questions did cheer us up and our meeting ended with rounds of hearty laughter (so, please don't take it seriously while we are still fixing our investment parameters here and there!).

I must also thank the former management, Simon Eng; the former independent directors, Paul Lim, Andrew Chan and Mr. Lee Suan Hiang; the former company secretary, Linus Ng, all of whom had been supportive of the then Advance SCT, particularly during the previous debts restructuring process.

I also wish to thank Enterprise Singapore for being supportive of our grant application and to my new board members, Heng Boo and Yu Meng, thank you for being an active board member.

The business transformation will take a while but I think we are making progress. The new board is looking forward to rebuilding our shareholders' value.

Teh Wing Kwan
Executive Chairman and CEO
wkteh@citicode.com.sg

BOARD OF **DIRECTORS**



MR TEH WING KWAN

**EXECUTIVE CHAIRMAN &
CHIEF EXECUTIVE OFFICER**

Mr Teh Wing Kwan was first appointed as the Non-Executive Chairman on the 27 June 2018 and was subsequently re-designated as the Executive Chairman and Chief Executive Officer (CEO) with effect from 24 July 2018.

Mr Teh, a sophisticated investor, specialises in corporate finance, corporate restructuring and mergers and acquisitions. Mr Teh was the Managing Director and Group CEO of Sapphire Corporation Limited (listed on the Mainboard of SGX) from October 2013 to December 2017. Under Mr Teh's leadership, Sapphire underwent a major restructuring and corporate transformation exercise. Mr. Teh also led Sapphire to be the first company listed outside Hong Kong to receive the 2016 Listed Enterprise Excellence Awards from Hong Kong-based Capital Weekly.

Mr Teh is currently the Chairman of the Board for China Vanadium Titato-Magnetite Mining Company Limited (listed on the Mainboard of the Hong Kong Stock Exchange ("HKSE")) and an Advisor to the Board of Koda Ltd (listed on the Mainboard of the Singapore Exchange ("SGX-ST")). He also served as a non-executive director for companies listed on the Australian Securities Exchange, SGX-ST and HKSE.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Mr Teh was a nominee for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry as well as the Outstanding Leaders category for the 2017 and 2018 Asia Corporate Excellence & Sustainability Awards.



MR FONG HENG BOO

**LEAD INDEPENDENT DIRECTOR,
AC CHAIRMAN AND NC CHAIRMAN**

Mr Fong Heng Boo was appointed to the Board with effect from 20 July 2018 as an Independent Director, Chairman of Audit and Nominating Committees and a member of the Remuneration Committee. Mr Fong was subsequently appointed as the Lead Independent Director with effect from 24 July 2018.

In 1975, Mr Fong was with the Auditor-General's Office ("AGO"), Singapore and held the position of Assistant Auditor-General when he left AGO in 1993. Prior to his retirement in December 2014, Mr Fong was the Director (Special Duties) at the Singapore Totalisator Board where he led the Finance and Investment functions.

Mr Fong has over 45 years of experience in auditing, finance, business development and corporate governance. He graduated from the University of Singapore (now known as the National University of Singapore) with a Bachelor of Accountancy (Honours) in 1973.

Currently, Mr Fong is also an Independent Director for Singapore Companies, among others, CapitaLand Retail China Trust Management Limited, Surbana Jurong Private Limited, Singapore Health Services Pte Ltd and TA Corporation Ltd.

BOARD OF DIRECTORS



MR CHAN YU MENG
INDEPENDENT DIRECTOR AND RC CHAIRMAN

Mr Chan Yu Meng was appointed to the Board with effect from 20 July 2018 as an Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees.

Mr Chan Yu Meng graduated from the University of Durham and is called to the Singapore Bar. He is a partner in the corporate department of Lee & Lee, a law firm in Singapore. He has more than 20 years of experience and currently practises in the areas of mergers and acquisitions, capital markets, corporate finance, corporate restructuring, securities law, stock exchange practice and corporate secretarial matters. He also has prior experience as a litigation counsel representing clients in both civil and criminal matters.

He has previously served as an independent director on several SGX-listed companies. He is an ordinary member of the Singapore Institute of Directors (SID) and currently serves on the Branding and Communications Committee of the SID. He also serves as a member of the Information Technology Committee of the Law Society of Singapore.



MR SIMON ENG
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Eng had served 18 years in an elite service of the Singapore Government until 2004, when he retired to join United Engineers Ltd. He worked as UE's China CEO, living in Beijing and Shanghai until 2007. Mr Eng left UE at the end of 2007 and has since been involved in various businesses in power generation, waste treatment and metal processing. The extensive exposure in public and private sectors as well as in diplomatic and international affairs has provided him with the precious tools and networks for the corporate and financial world.

Mr Eng graduated from the University of Hamburg, Germany, as a Naval Architect under a Singapore Public Service Commission scholarship in 1985. Post-graduate, he studied at the Harvard Business School where he learnt business administration.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000	Change %
Revenue	**54,977**	**79,692**	(31.0)
Cost of sales	**(54,209)**	**(78,265)**	(30.7)
Gross profit	**768**	**1,427**	(46.2)
Other income	**140**	**1,860**	(92.5)
Administrative expenses	**(1,299)**	**(540)**	140.6
Other expenses	**(141)**	**(1,018)**	(86.1)
Finance costs	**(106)**	**(221)**	(52.0)
(Loss)/Profit before income tax	**(638)**	**1,508**	n.m
Income tax expense	**–**	**–**	
(Loss)/Profit for the year	**(638)**	**1,508**	n.m
Other comprehensive income/(losses) Items that may be reclassified subsequently to profit or loss:			
Net income/(losses) relating to foreign currency translation differences arising from consolidation	**10**	**(16)**	n.m.
Total comprehensive (loss)/income for the year	**(628)**	**1,492**	n.m
(Loss)/Profit attributable to:			
Equity holders of the Company	**(638)**	**1,508**	n.m
Non-controlling interests	**–**	**–**	
	(638)	**1,508**	n.m
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	**(628)**	**1,492**	n.m
Non-controlling interests	**–**	**–**	
	(628)	**1,492**	n.m

Revenue

Fell by S$24.7 million due mainly to lower trading volume of metal products.

Gross Profit

Fell by S$0.66 million on the back of lower revenues. Gross margin fell from 1.79% to 1.40%.

Other Income

Fell sharply by S$1.72 million in the absence of a gain on disposal of subsidiaries and waiver of debts in FY2017.

Other Expenses

Fell sharply by S$0.88 million in the absence of expenses arising from the previous debts restructuring exercise initiated under the former management (as recorded in FY2017).

Administrative Expenses

Rose by S$0.76 million due mainly to expenses incurred under (i) the former management, being additional costs incurred for building up trading and procurement base in China and restructuring costs (which were mainly incurred in 1H2018), (ii) the new management, being one-off expenses incurred in relation to evaluation of acquisition targets and execution of business diversification plans (which were mainly incurred in 2H2018).

Finance Costs

Fell by S$0.12 million as a result of lower borrowings upon completion of the Debt Capitalisation Exercise in February 2018.

Loss attributable to owners of the Company

As a result of the above, the Group reported a net loss of S$0.64 million for FY2018.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Group	
	2018	2017
	$'000	$'000
ASSETS		
Current assets		
Prepayments	5	5
Trade receivables	2,932	7,753
Other receivables	27	8
Cash and cash equivalents	199	490
	3,163	8,256
Total assets	3,163	8,256
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	209,581	196,454
Capital reserve	(654)	(654)
Share options reserve	–	544
Foreign currency translation reserve	9	(1)
Accumulated losses	(209,226)	(209,132)
Total equity attributable to equity holders of the Company	(290)	(12,789)
Non-current liabilities		
Other payables	162	–
Borrowings	200	–
Non-current liabilities	362	–
Current liabilities		
Trade payables	2,425	6,854
Other payables	666	1,260
Borrowings	–	12,931
Current liabilities	3,091	21,045
Total liabilities	3,453	21,045
Total equity and liabilities	3,163	8,256

CURRENT ASSETS

Trade Receivables

Fell by S$4.82 million on the back of lower trading revenues.

Other Receivables

Rose by S$0.02 million due mainly to rental deposits.

Cash and Cash Equivalents

Fell by S$0.29 million after accounting for working capital (trading business and corporate functions), interest payment and short-term loan repayment during the year.

NON-CURRENT LIABILITIES

Other Payables and Borrowings

Comprised mainly long-term accruals and third-party loan.

CURRENT LIABILITIES

Trade Payables

Fell by S$4.43million as a result of lower trade purchases.

Other Payables

Fell by S$0.43 million due mainly to payments of non-trade supplies and lower accrued operating expenses.

CAPITAL AND RESERVES

Share Capital

Rose by S$13.1 million following completion of Debts Capitalisation Exercise on 27 February 2018 and conversion of redeemable convertible bonds on 28 February 2018.

Accumulated Losses

Rose by S$0.09 million after accounting for current year losses.

Total Equity attributable to owners of the Company

Improved sharply by S$12.5 million to negative S$0.29 million as at 31 December 2018 upon completion of Debts Capitalisation Exercise, net of current year loss.

OPERATIONS AND FINANCIAL REVIEW



OPERATIONS REVIEW

The commodities market remains volatile with renewed uncertainty given the US-China trade tension and the slowing economic growth in China. To a larger extent, the supply-side structural reform and stringent environmental compliance in China have also fragmented certain upstream industries, thereby affecting related prices and demand as well. As such, we have scaled down our commodities trading business and will continue to trade commodities with caution.

We announced new business diversification plans and change of name to Citicode Ltd. (from Advance SCT Limited) on 7 November 2018. The new business diversification plans would allow the Group to venture into a highly specialised industry given the increasingly higher spending in upgrade and maintenance of mission critical facilities infrastructures, mission critical systems and land transport infrastructure, thereby providing the Group with new potential revenue streams and increasing the prospects of earnings. These proposals were approved by Shareholders on 12 February 2019. Please also refer to Circular to Shareholders dated 18 January 2019 for details.

Please refer to "**Key Corporate Development**" in our Annual Report for details of the chronological development of the Company since June 2018.

FINANCIAL REVIEW

Note: For the ease of reference, we have included "**Results At A Glance**" on Page 6 to 7 in our Annual Report providing explanatory notes to financial performance for the financial year ended 31 December 2018 ("**FY2018**") and financial position as at 31 December 2018.

Financial Performance for FY2018

Revenue for FY2018 fell by 31.0% to S$55.0 million from S$79.7 million in FY2017 due to lower trading volume for metal products. Gross margin fell to 1.40% from 1.79%.

Other income and other expenses, net in aggregate, fell by S$0.84 million to S$0.001 million in FY2018 in the absence of a significant other income derived from gain on disposal of subsidiaries and waiver of debts (as part of the previous debts restructuring exercise) of approximately S$0.84 million (net, in aggregate) as recorded in FY2017.

Administrative expenses rose by S$0.76 million to S$1.3 million in FY2018 due mainly to expenses incurred under (i) the former management, being additional costs incurred for building up the trading and procurement base in China (which were mainly incurred in 1H2018), and (ii) the new management, being one-off expenses incurred and accrued in relation to evaluation of acquisition targets and execution of business diversification plans including preparation, printing and mailing of shareholder's circulars (which were mainly incurred in 2H2018).

Finance cost fell by S$0.12 million to S$0.11 million in FY2018 as a result of lower borrowings following the completion of the Debt Capitalisation Exercise on 27 February 2018.



As a result of the above, the Group reported a net loss after income tax ("net loss") of S$0.64 million for FY2018.

Financial Position as at 31 December 2018

Trade receivables fell by S$4.82 million to S$2.93 million on the back of lower trading revenues.

Other receivables, which comprised mainly of third party receivables and deposits, rose to S$0.03 million due mainly to rental deposits.

Trade payables fell by S$4.43 million to S$2.43 million as a result of lower trade purchases.

Other payables fell by S$0.43 million to S$0.83 million due mainly to payments of non-trade supplies and lower accrued operating expenses.

Both trade receivables and trade payables are related to the trading of metal products by our subsidiary, Asiapac Recycling Pte Ltd ("Asiapac Recycling").

Borrowings fell sharply by S$12.7 million to S$0.2 million on completion of the Debts Capitalisation Exercise.

Shareholders' Equity

Upon completion of the Debt Capitalisation Exercise and conversion of redeemable convertible bonds, issued share capital rose by S$13.1 million to S$209.6 million and Total Equity, after accounting for current year results, improved to negative S$0.29 million as at 31 December 2018 from negative S$12.8 million as at 31 December 2017.

Cash flows

Net cash used in operating activities for FY2018 was S$0.52 million after accounting for (i) working capital for the trading business and corporate functions; and (ii) interest payment; and

Net cash generated from financing activities was S$0.23 million due mainly to the proceeds from the issuance of Redeemable Convertible Bond in early FY2018, net of repayment of short-term loan by our operating subsidiary, Asiapac Recycling.

As a result of the above, cash and bank balances fell by S$0.29 million to S$0.20 million as at 31 December 2018.

KEY CORPORATE DEVELOPMENT



2019

February 2019

Shareholders approved the Proposed Diversification and Proposed Change of Name.

January 2019

Announced proposed acquisition of 40% and 100% equity interest in N&T Engineering Enterprise Pte Ltd and N&T Smart Engineering Pte Ltd, respectively to venture into highly specialised M&E projects in an integrated manner (from system designs, materials procurement, upgrade and installation to system maintenance for mission critical facilities and infrastructures and mission critical system).

2018

November 2018

Proposed to diversify into the New Businesses of M&E and Infrastructure Engineering Business and smart M&E Business, which could potentially provide technical solutions in supporting smart facilities management and smart city applications (the "Proposed Diversification").

Proposed change of the Company name from "Advance SCT Limited" to "CITICODE Ltd." to more accurately reflect the Company's strategic direction and potential new business activities moving forward (the "Proposed Change of Name").

August 2018

Entered into a non-binding letter of collaboration (the "LOC") with the Tokyo-Stock Exchange listed Dai-Dan Co., Ltd and N&T Engineering Enterprises Pte Limited ("N&T"), to jointly explore and evaluate business opportunities in relation to M&E engineering works specifically for mission critical facilities and infrastructures.

July 2018

Appointment of Mr. Teh as Executive Chairman and Chief Executive Officer, with the key role to initiate corporate strategic reviews, set new business directions, lead in implementation of growth initiatives and execute new investment strategies.

Appointment of new Independent Directors – Mr. Fong Heng Boo and Mr. Chan Yu Meng.

June 2018

Appointment of Mr. Teh Wing Kwan ("Mr. Teh") as non-executive Chairman after he acquired approximately 28.7% equity interest in the Company.



SUSTAINABILITY REPORT

1. Board's statement

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

During an Extraordinary General Meeting held on 12 February 2019, our shareholders approved our plan to diversify into the new business of mechanical and electrical and infrastructure engineering ("M&E and infrastructure Engineering Business") which could potentially build our capabilities in providing technical solutions to support smart facilities management and smart city applications ('Smart M&E Business"). As we move on to implement these diversification plans, our business model and operations will inevitably change and so will our key ESG factors. Given that we are still in our initial stage of implementing the diversification plans, the key ESG factors disclosed in this Report are not necessarily relevant to the proposed new businesses, which we will have to review, evaluate and update accordingly in due course.

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

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

2. Reporting framework

In preparing this Report, we are guided by the Global Reporting Initiative ("GRI") Standards: Core option. In addition, this Report is published in pursuant to Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711(A) and 711(B). We have chosen to report using GRI Standards: Core option as it is an internationally recognised reported framework.

3. Reporting period

This Report is applicable for our Group's financial year ended 31 December 2018 ("reporting period" or FY2018"). A Report will be published annually thereafter in accordance with our SR Policy.

4. Feedback

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

SUSTAINABILITY REPORT

5. Stakeholder engagement

Our Group's efforts on sustainability is focused on creating sustainable value for our key stakeholders, which comprise employees, regulators and shareholders. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of our Group. We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Customer	Customers are encouraged to provide their feedback and feedback obtained is reviewed and relevant follow-up actions are taken to better serve them. Regular meetings and communications are made with customers to ensure that we remain connected with the customers.
2	Regulator	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange so as to furnish feedback on proposed regulatory changes that impact our business.
3	Shareholder	We convey timely, full and credible information to shareholders through announcements on SGXNET, email account (ir@citicode.com.sg), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
4	Supplier	We maintain a good relationship with suppliers by establishing various communication platforms for all levels of personnel involved in dealing with the suppliers, such as regular meetings and feedback sessions.

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

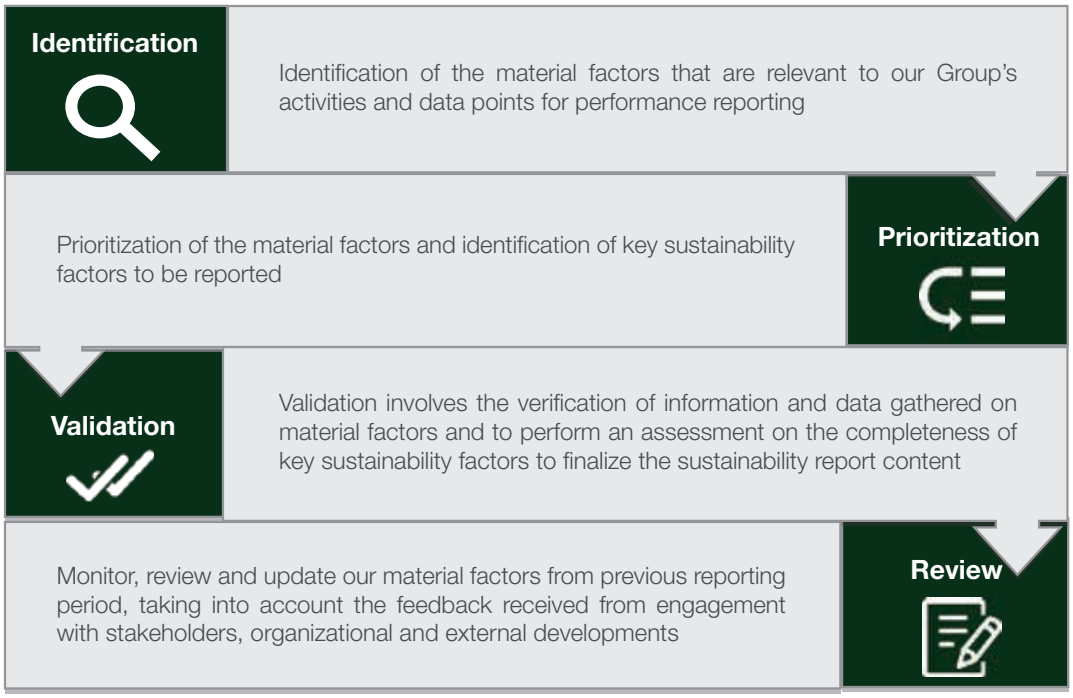
6. Policy, practice and performance reporting

6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. Our Sustainability Committee, which includes the Executive Chairman cum CEO and FC, is tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

6.2 Sustainability reporting processes

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



6.3 Materiality assessment

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

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority should be reported on in detail.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. We may decide to exclude them in the Report, if immaterial.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. If immaterial, these factors may be excluded from the report.

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

SUSTAINABILITY REPORT

6.4 Performance tracking and reporting

We track the progress of our material factors by identifying the relevant data points and measuring them. In addition, performance targets that are aligned with our strategy will be set to ensure that we maintain the right course in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improving our data capture systems.

7. Material factors

Our materiality assessment performed for the reporting period involved our senior management in identifying sustainability factors deemed material to our businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

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

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Customer satisfaction and creditability of customers	Customer	II
Economic			
2	Direct economic performance	Shareholder	I
3	Supply chain and sustainable procurement	Supplier	II
Governance			
4	Robust corporate governance framework	Shareholder, Regulator	II

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

7.1 Customer satisfaction and creditability of customers

The Group makes a constant effort to ensure customer satisfaction is achieved with every delivery it makes by ensuring timely delivery, prompt response to enquiries as well as the quality and reliability of the products delivered. Channels are made available for constant feedbacks from customers.

As part of the business risk management for supply chain, the Group also assesses the credibility of its business partners and associates. The Group conducted relevant background check prior to entering into a new business relationship.

7.2 Direct economic performance

We believe that a profitable business that constantly adds shareholder's value and provides stable returns is key to our Group's sustainability over the long term.

During the transitional period as we began to diversify our business into the M&E and infrastructure Engineering Business, we adopted the following measures to conserve our resources and prudently manage our existing business:

- Implement tight controls over cash outflows to conserve working capital
- Financial reports are reviewed regularly by senior management and the Board of Directors
- Management meetings are conducted regularly to allow senior management to review business performance

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

Moving forward, we will focus on our new businesses and capitalise on good business opportunities that may arise to build a sustainable business for our shareholders. We view two-way communication with shareholders as highly important to earn continual support from our shareholders. Apart from updating relevant details in this annual report to shareholders, we will continue to provide timely updates to shareholders for all important corporate developments on stipulated platforms.

7.3 Supply chain and sustainable procurement

While implementing sustainable procurement practices, we have made a conscientious effort to source from local trading houses and suppliers which are licensed by the Monetary Authority of Singapore ("MAS"). Towards the end of FY2018, we have shifted approximately 61% (FY2017: 34%) of our trades to local counterparts.

The traceability of supply chain is a collaborative effort between our stakeholders and the Group as we verify and assure the sustainability claims associated with the contracts which the Group enters into. We also take a constant effort to validate the contracts we enter into. More importantly, we trade in only certified contracts which are listed on the London Metal Exchange ("LME"), thereby giving us added level of assurance as guided within the framework of LME.

7.4 Robust corporate governance framework

We are committed to employing the best practices of corporate governance to ensure sustainability of our operations. We believe that the constant drive to upkeep corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and the value to our shareholders.

SUSTAINABILITY REPORT

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. During the reporting period, there was no reportable incident[1] (FY2017: zero incident).

For a more detailed discussion on our Corporate Governance practices, please refer to this annual report under the section entitled "Corporate Governance Report".

7.5 Our environmental impact

During the financial year, we are principally involved in the trading business and thus our impact on the environment, after assessing the level of concern to external stakeholders and potential impact on business, is deemed not to be a material sustainability factor.

Whilst it seems insignificant to our business operations, we reminded our staff on some basic and socially responsible habits in their administrative office environment such as adopting greener work ethics, going paperless, switching off appliances if not in use, enabling power save modes and such related practices.

In addition, we constantly track and manage our resource consumption which comprises electricity and water.

7.6 Our people

We aim to provide a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender, age and educational background. For FY2018, employee diversity was not identified as a material social factor as we maintained a lean organizational structure during the reporting period which is in line with our intention to progressively scale down the trading business given its market uncertainty and volatility.

8. Target setting

Considering that we are progressively scaling down the trading business and we have just began the implementation of our diversification plans which will inevitably change our business model and operations and consequentially our key ESG factors, we will defer the process of target setting until a time when key ESG factors are updated for the new businesses and when sufficient data is available.

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

CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. TEH WING KWAN
Executive Chairman and Chief Executive Officer
MR. FONG HENG BOO
Lead Independent Director
MR. CHAN YU MENG
Independent Director
MR. SIMON ENG
Non-Independent Non-Executive Director

AUDIT COMMITTEE

MR. FONG HENG BOO (Chairman)
MR. CHAN YU MENG
MR. SIMON ENG

NOMINATING COMMITTEE

MR. FONG HENG BOO (Chairman)
MR. TEH WING KWAN
MR. CHAN YU MENG

REMUNERATION COMMITTEE

MR. CHAN YU MENG (Chairman)
MR. FONG HENG BOO
MR. SIMON ENG

FINANCIAL CONTROLLER

MS. SIM LI LING, WENDY
Email: wendysim@citicode.com.sg

COMPANY SECRETARY

MS GN JONG YUH GWENDOLYN
(of Shook Lin & Bok LLP)

REGISTERED OFFICE

1 Robinson Road #17-00
AIA Tower
Singapore 048542

AUDITORS

FOO KON TAN LLP
PARTNER-IN-CHARGE: MR. ONG SOO ANN
(Appointed on 8 November 2018)

SHARE REGISTRAR/SHARE TRANSFER AGENT

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

GROUP COMPANIES:

SINGAPORE
ASIAPAC RECYCLING PTE LTD
Core Business:
- Dealer of ferrous and non-ferrous metals and insulated cable scraps

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company recognises the importance of good corporate governance for continued growth and investors' confidence. The board of directors (the "**Board**" or the "**Directors**") of Citicode Ltd. (the "**Company**", and together with its subsidiaries the "**Group**") is committed to achieving and maintaining high standards of corporate governance within the Group.

This Corporate Governance Report describes the Company's corporate governance practices that were in place throughout the 12-month financial period ended 31 December 2018 ("**FY2018**"), with specific reference to the Code of Corporate Governance 2012 (the "**Code**") and rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**SGX-ST Listing Rules**"). The Group has adhered to the principles and guidelines as set out in the Code and SGX-ST Listing Rules. In so far as any principles and/or guideline has not been complied, appropriate explanations had been provided.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role of the Board

The primary function of the Board is to oversee the business and corporate affairs of the Group so as to protect and enhance the Company's shareholders' ("**Shareholder**") long-term value. All directors of the Company ("**Directors**") must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Besides carrying out its fiduciary and statutory responsibilities, the Board's other roles and responsibilities, among others, are to:

Guideline 1.1
Guideline 1.2

(a) provide entrepreneurial leadership, review strategic plans, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets;

(c) review the performance of the Company's management (the "**Management**");

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met;

CORPORATE GOVERNANCE REPORT

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and

(g) approve major investment and divestment proposals.

The day-to-day management of the Group's businesses and affairs, the formulation and implementation of corporate strategies have been entrusted to the Management that is led by the CEO. The Directors exercise due diligence and independent judgment in making decisions on the recommendations of the Management and take objective decisions in the interests of the Group.

The Sustainability Report of the Company as required under Rule 711A of the Listing Manual of SGX-ST can be found under the section entitled "Sustainability Report" in this annual report.

Board Committees

To assist the Board in the execution of its responsibilities, the Board has delegated specific responsibilities to various Board committees (the "**Board Committees**") without abdicating its responsibility, namely the Nominating Committee (the "**NC**"), the Remuneration Committee (the "**RC**") and the Audit Committee (the "**AC**"). Each Board Committee functions within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly reviewed by the Board. Guideline 1.3

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various 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.

Board Meetings

The Board meets at least quarterly to review and consider the Group's key activities, strategies, financial performance and to approve the release of the results of the Group. The schedule of the next Board meeting is planned well in advance. Besides the scheduled Board meetings, the Board also meets as often as may be necessary to discuss the business affairs of the Group, and to approve, if applicable, any business objectives and strategies. In addition, the Board meets on an ad-hoc basis as warranted by particular circumstances. Guideline 1.4

The constitution of the Company provides for Directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

CORPORATE GOVERNANCE **REPORT**

The number of Board meetings and Board Committees meetings held in FY2018 and the attendances of the Directors at these meetings are set out below:

Name of Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Teh Wing Kwan[1]	3	3	2	2	1	1	1	1
Chan Yu Meng[2]	2	2	1	1	0	0	0	0
Fong Heng Boo[3]	2	2	1	1	0	0	0	0
Simon Eng	5	4	4	3	2	2	2	2
Lee Suan Hiang[4]	1	1	1	1	1	1	1	1
Andrew Chan Keng Ho[5]	3	3	3	3	2	2	2	2
Paul Lim Choon Wui[6]	2	2	2	2	1	1	1	1

Notes

(1) Mr Teh Wing Kwan was appointed as Non-Executive Director and Non-Executive Chairman on 27 June 2018 and redesignated as the CEO and Executive Chairman on 24 July 2018.

(2) Appointed on 20 July 2018.

(3) Appointed on 20 July 2018.

(4) Retired on 6 April 2018.

(5) Resigned on 20 July 2018.

(6) Resigned on 14 July 2018.

The CEO also updates the Board at each Board meeting on business and strategic developments pertaining to the Company's business.

The non-executive Directors also receive comprehensive Board papers on prospective transactions and potential development at an early stage before formal Board approval is sought. This enables non-executive Directors to constructively challenge and help develop proposals on strategy, and to review the performance of Management in meeting agreed goals and objectives. Guideline 2.7

Non-executive Directors are encouraged to meet amongst themselves and/or with the auditors directly without the presence of Management. Guideline 2.8

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

The Company has in place internal guidelines that documents, among others, the matters reserved for the Board's decision and clear directions to Management on matters that must be approved by the Board. Guideline 1.5

Certain material transactions and matters that require Board approval, as set out in these guidelines, include, *inter alia*, the following:

(a) results announcements;

(b) annual report and audited financial statements;

(c) declaration of interim and/or proposal of final dividends;

(d) acceptance of new banking facilities;

(e) approval of corporate strategy;

(f) corporate or financial restructuring;

(g) material acquisitions and disposal of assets;

(h) transactions involving a conflict of interest for a substantial Shareholder or a Director;

(i) interested person transactions of a material nature;

(j) issuance of new shares; and

(k) convening of Shareholders' meeting.

Training of Directors

Upon the appointment of each Director, the Company provides a formal letter to the Director, setting out the Director's duties and obligations. Newly appointed Directors receive appropriate orientation to provide them with background information about the Group's history, strategic directions as well as the Company's governance practices. They are also advised on their statutory duties as well as their other responsibilities as Directors. In addition, Directors also have the opportunity to visit the Groups' operational facilities and meet with the Management to gain a better understanding of the Group's business operations. Guideline 1.6 Guideline 1.7

Newly appointed Directors with no prior experience as a director of an issuer listed on the SGX-ST will be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate. These new Directors with no prior experience will also undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment will be disclosed. Rule 210(5)(a)

CORPORATE GOVERNANCE REPORT

Directors are kept abreast of any developments which are relevant to the Group and are informed of regulatory changes affecting the Group via electronic mails. The Company encourages Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions to better understand and perform their duties. During FY2018, the Board was briefed and/or updated on the changes of rules and/or regulations, including but not limited to:

(a) amendments to the Companies Act;

(b) amendments to the Listing Manual;

(c) recent changes to the Singapore Financial Reporting Standards; and

(d) changing commercial risks.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Members of the Board of Directors

As at the date of this report, the Board comprises one (1) Executive Director, one (1) Non-Executive Non-Independent Director and two (2) Independent Directors, the details of which are as follows: Guideline 2.1

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Teh Wing Kwan	Non-Executive Chairman Executive Chairman and CEO	27 June 2018 24 July 2018	N.A.	N.A.	Member	N.A.
Fong Heng Boo	Lead Independent Director	20 July 2018	N.A.	Chairman	Chairman	Member
Chan Yu Meng	Independent Director	20 July 2018	N.A.	Member	Member	Chairman
Simon Eng	Non-Independent Non-Executive Director	12 March 2009	26 April 2017	Member	N.A.	Member

CORPORATE GOVERNANCE REPORT

Throughout FY2018, there were the following Directors' appointments and resignations:

Date	Name of Directors	Resigned/ Retired	Appointed	Designation appointed/ ceased
6 April 2018	Lee Suan Hiang	✓		Lead Independent Director Chairman of NC Member of AC Member of RC
27 June 2018	Teh Wing Kwan		✓	Non-Independent Non-Executive Chairman Member of AC Member of RC Member of NC
14 July 2018	Paul Lim Choon Wui	✓		Independent Director Chairman of RC Chairman of NC Member of AC
20 July 2018	Fong Heng Boo		✓	Independent Director Chairman of AC Chairman of NC Member of RC
	Chan Yu Meng		✓	Independent Director Chairman of RC Member of AC Member of NC
	Andrew Chan	✓		Independent Director Chairman of AC Member of RC Member of NC
24 July 2018	Teh Wing Kwan[1]	✓		Non-Executive Chairman Member of AC Member of RC
			✓	CEO Executive Chairman
	Simon Eng[2]	✓		Executive Director CEO
			✓	Non-Independent Non-Executive Director Member of AC Member of RC
24 July 2018	Fong Heng Boo		✓	Lead Independent Director

CORPORATE GOVERNANCE **REPORT**

Notes:

(1) On 24 July 2018, Mr. Teh Wing Kwan ("**Mr. Teh**") was appointed as CEO of the Company. Consequent to his appointment, Mr. Teh was re-designated as Executive Chairman and CEO and concurrently ceased to be a Non-Executive Chairman of the Company, member of the AC and RC. He remains as a member of the NC.

(2) On 24 July 2018, Mr. Simon Eng ("**Mr. Eng**") was re-designated as Non-Independent Non-Executive Director. Consequent to his re-designation, Mr. Eng ceased to be Executive Director and Chief Executive Officer and was concurrently appointed as member of the AC and RC.

Throughout FY2018, the Company complied with guideline 2.2 of the Code. In particular, whenever the Chairman and the CEO were the same person, Independent Directors made up at least half of the Board. Guideline 2.2

The independence of each Director is reviewed annually by the NC in accordance with the Code's and the SGX-ST Listing Manual's definitions of independence. In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the Code, and is satisfied that the Independent Directors are independent in character and judgement and that they do not have any relationships with the Company, its related companies, its 10% Shareholders or its officers, nor are there any circumstances, that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Guideline 2.3 Guideline 4.3

The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process. In determining Directors' independence, the Board further considered the new Rule 210(5)(d) of the SGX-ST Listing Manual, which took effect on 1 January 2019. Pursuant to Rule 210(5)(d) SGX-ST Listing Manual, the Board considered an Independent Director as one who was not or has not been employed by the Company or any of its related corporations for FY2018 or any of the past three financial years. An Independent Director would also not have an immediate family member who was employed or had been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration was determined by the RC of the Company. Rule 210(5)(d)

As a whole, the Board, with the recommendation and concurrence of the NC, has reviewed and determined that Mr. Fong Heng Boo ("**Mr. Fong**") and Mr. Chan Yu Meng ("**Mr. Chan**") are independent.

None of the current Independent Directors has served on the Board beyond nine years from the respective date of their first appointment. Guideline 2.4

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's business, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board believes that its current Board size and the existing composition of the Board Committee are appropriate. Guideline 2.5

CORPORATE GOVERNANCE REPORT

As the Company is in the midst of implementing its new business strategies and plans, the NC will continuously review the composition and size of the Board on a regular basis to ensure that the Board has the requisite blend of expertise, skills, experience and attributes to oversee the Company's new businesses, as to be implemented in accordance with the business diversification plans as approved by the Shareholders on 12 February 2019.

The Board and its Board Committees collectively provide core competencies and diversity of experience to effectively contribute to the Company. Their varied experience is particularly important in ensuring that the strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of the Company and the Group. Profiles of the Directors, including their academic, professional qualifications and experiences are set out in the Board of Directors section of this annual report. Guideline 2.6

The Company has also set out the profiles of the newly appointed Board members (specifically, Executive Chairman and CEO, Mr. Teh Wing Kwan, and the newly appointed Audit Committee members, Mr. Fong Heng Boo and Mr. Chan Yu Meng) in the Circular to Shareholders dated 18 January 2019 in relation to the proposed business diversification plans for the Company.

To ensure that non-executive Directors are well informed of the Group's business and the industry the Group operates in, and are well supported by accurate, complete and timely information, they have unrestricted access to the Management, and have sufficient time and resources to discharge their oversight functions effectively.

Principle 3: Chairman and CEO

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing company's business. No one individual represents a considerable concentration of power.

Given (i) the number of manpower and limited amount of business the Group currently operates (i.e the existing business in relation to the trading of exchange-regulated metal products); and (ii) the Company's recent corporate plans for its new business diversification strategies under the leadership of Mr. Teh, who is the Chairman and CEO, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group relating to business diversification as part of the corporate transformation plans would not be unnecessarily hindered and/or delayed. Explanation for deviation from Guideline 3.1

All major proposals and decisions made by the Chairman and the CEO are discussed and reviewed by the Board as a whole. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC.

CORPORATE GOVERNANCE REPORT

Mr. Teh is both the Chairman and the CEO of the Company. The Chairman is responsible for the effective conduct of Board meetings. The Chairman's responsibilities in respect of Board proceedings include: Guideline 3.2

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication with Shareholders;

(f) encouraging constructive relations within the Board and between the Board and Management;

(g) facilitating the effective contribution of Non-Executive Directors in particular; and

(h) promoting high standards of corporate governance.

As CEO of the Company, Mr. Teh is responsible for corporate affairs, finance and overseeing the overall management and strategic development of the Group. Mr. Teh reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

In compliance with guideline 3.3 of the Code, the Board has appointed Mr. Fong as the Lead Independent Director to lead and coordinate the activities of the Independent Directors of the Company. Mr. Fong, as Lead Independent Director, is available to Shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or FC has failed to resolve or is inappropriate. Guideline 3.3

The independent Directors will meet or converse periodically amongst themselves without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after these meetings. Guideline 3.4

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC comprises three (3) Directors, of which two (2) are Independent Directors: Guideline 4.1

- Fong Heng Boo (Chairman)
- Chan Yu Meng (Member)
- Teh Wing Kwan (Member)

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

CORPORATE GOVERNANCE REPORT

The NC is guided by a set of written terms of reference, and its principal functions as set out in its' key terms of reference are as follows: Guideline 4.2

(a) the review of Board succession plans for Directors, in particular, the Chairman and the CEO;

(b) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;

(c) the review of training and professional development programs for the Board; and

(d) the appointment and re-appointment of Directors (including alternate Directors, where applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

The search and nomination process for new Directors, if any, will be through search companies, contacts and recommendations to cast its net as wide as possible for the right candidate. The NC determines the selection criteria in consultation with the Board and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC will shortlist candidates for interview before nominating the most suitable candidate to the Board for approval. The NC will evaluate a Director in accordance with a set of criteria approved by the Board before recommending him/her to the Board for re-election. Guideline 4.6

In identifying new appointees as Directors, the Board considers the range of skills and experience required in the light of:

(a) the geographical spread and diversity of the Group's businesses;

(b) the strategic directions and advancement of the Group;

(c) the current composition of the Board; and

(d) the need for a strong and independent element on the Board.

All Directors, including the CEO, must submit themselves for re-nomination and re-appointment at regular intervals of at least once in every three years. Rule 720(5)

Under Regulation 108 of the Company's Constitution, newly appointed Directors would be required to submit themselves for re-nomination and re-election at the forthcoming annual general meeting ("**AGM**"). Regulation 104 of the Company's Constitution requires one-third of the Directors to retire by rotation at every AGM. In accordance with the Company's Constitution, Mr. Simon Eng shall retire by rotation pursuant to Regulation 104 and the newly appointed Directors, Mr. Teh Wing Kwan, Mr. Fong Heng Boo and Mr. Chan Yu Meng shall retire pursuant to Regulation 108 of the Company's Constitution at the forthcoming AGM.

CORPORATE GOVERNANCE **REPORT**

Each of Mr. Teh Wing Kwan, Mr. Fong Heng Boo, Mr. Chan Yu Meng and Mr. Simon Eng have given their consent to remain in office and will submit themselves for re-election at the forthcoming AGM.

The Independent Directors have declared their independence for FY2018, pursuant to their compliance with the guidelines under the Code and with Rule 210(5)(d) of the SGX-ST Listing Manual. Following its annual review, the NC has considered Mr. Fong Heng Boo and Mr. Chan Yu Meng as independent.

All Directors are required to declare their board representations. The NC and the Board are of the view that it is not meaningful to set a limit on the number of listed Company board representations a Director should have as the contribution of each Director would depend on their individual circumstances, including whether they have a full-time vocation or other responsibilities. Further, the Directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. Instead, the NC will assess each potential or existing Director relative to his/her abilities and known commitments and responsibilities. Specific considerations are also given to their attendance, contactability and responsiveness, as well as contributions and individual capabilities.

Explanation for deviation from Guideline 4.4

During FY2018, the NC has reviewed and is satisfied that sufficient time and attention are being given by each Director to the affairs of the Group and each Director is able to and has been adequately carrying out his duties as a Director of the Company, notwithstanding that some of the Directors have multiple board representations.

The Directors are not related to each other and none of the Directors' immediate family members were employees of the Group or related to any Director or directly associated with its 10% Shareholder.

Guideline 4.4

CORPORATE GOVERNANCE REPORT

As at the date of this report, the list of directorships or chairmanships held by Directors presently or in the preceding five years in other public listed companies, and other principal commitments are set out below: Guideline 4.7

Name of Director	Date of appointment Directorships or Chairmanships in the Company	Directorships or Chairmanships in other listed companies and other principal commitments	
		Present	Past 5 years
Teh Wing Kwan	Appointed as Non-Executive Chairman on 27 June 2018 Re-designated as CEO and Executive Chairman on 24 July 2018	China Vanadium Titato-Magnetite Mining Company Limited (HKEx) Koda Ltd (Advisor to the Board)	Sapphire Corporation Limited (SGX) Singapore eDevelopment Limited (SGX) Asian American Medical Group Limited (previously known as Asian Centre For Liver Diseases & Transplantation Limited) (ASX) Heng Fai Enterprises Limited (currently known as ZH International Holdings Limited) (HKEx)
Fong Heng Boo	20 July 2018	Colex Holdings Limited (SGX) CapitaLand Retail China Trust Management Limited (SGX) Asian American Medical Group (ASX) Shengye Capital Ltd (HKEx) TA Corporation Ltd (SGX)	Pteris Global Limited (SGX) Sapphire Corporation Limited (SGX)

CORPORATE GOVERNANCE REPORT

Name of Director	Date of appointment Directorships or Chairmanships in the Company	Directorships or Chairmanships in other listed companies and other principal commitments	
		Present	Past 5 years
Chan Yu Meng	20 July 2018	Nil	Singapore eDevelopment Limited (SGX) PSL Holdings Limited (SGX)
Simon Eng	Appointed as Non-Executive Chairman on 10 November 2014 Re-designated as Executive Director on 1 January 2015 Ceased to be CEO and Executive Director on 24 July 2018 Re-designated as Non-Independent Non-Executive Director on 24 July 2018	Metech International Ltd (SGX)	Teledata (Singapore) Ltd (SGX)

The shareholdings in the Company of the Directors are set out in the Directors' Statement. Guideline 4.5

As at 31 December 2018, no Director has appointed any alternate director.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Board recognises the merit of having some degree of formal assessment of the effectiveness of the Board as a whole and the Directors individually. The NC has considered the guidelines contained in the Code and formulated a plan to evaluate the performance of the Board as well as the individual Directors using a set of objective performance criteria (the "**Evaluation Plan**"). The Evaluation Plan allows for comparison with industry peers and evaluates how the Board has enhanced long-term Shareholder value. Guideline 5.1

In line with the principles of good corporate governance, the NC adopts, with the approval of the Board, the Evaluation Plan to evaluate the effectiveness of the Board as a whole, its Board Committees, and the contribution by the Chairman and each individual Director to the effectiveness of the Board. Each Director is required to individually complete a board evaluation form (the "**BEF**") annually, to facilitate the NC in its assessment of the overall effectiveness of the Board. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance. In particular, the BEF facilitates an assessment of whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The NC reviews the feedback collated from the BEF and recommends steps which need to be taken to strengthen the Board's stewardship. Guideline 5.2 Guideline 5.3

The individual director evaluation exercise will be reviewed by the Chairman in consultation with the NC, and assists them in determining whether to re-nominate Directors who are due for retirement at the forthcoming AGM, and in determining whether Directors with multiple board representations are able to and have adequately discharged their duties as Directors of the Company.

Following the review in FY2018, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board also receives regular reports from the Board Committees on their activities.

CORPORATE GOVERNANCE REPORT

Principle 6:

Access to Information In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are, from time to time, furnished with information concerning the Company to enable them to be provided with timely, complete and adequate information by the Management. The Board has unrestricted access to the Company's records and information. The Directors have separate and independent access to Management, and may also liaise with the Management as and when required to seek additional information. Guideline 6.1

Directors are furnished with information on matters to be considered at Board and Board Committees meetings through the circulation of comprehensive Board papers to ensure that they are fully cognizant of the decisions and actions of the Company's Management. The Board papers include sufficient background and explanatory information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board meetings. Where appropriate, senior members of the Management or external consultants engaged on specific projects provide explanatory information in the form of briefings to the Directors or formal presentations at Board meetings. Guideline 6.2

The Directors also have separate and independent access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary are subject to the approval of the Board. Guideline 6.3 Guideline 6.4

The Directors, in furtherance of their duties, are allowed to seek and obtain legal and other independent professional advice, if necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their roles and responsibilities as Directors. Guideline 6.5

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises three (3) Non-Executive Directors, of which two (2) are Independent Directors: Guideline 7.1

- Chan Yu Meng (Chairman)
- Fong Heng Boo (Member)
- Simon Eng (Member)

CORPORATE GOVERNANCE REPORT

The RC is guided by a set of written terms of reference, and its principal responsibilities as set out in its' key terms of reference include the following: Guideline 7.1 Guideline 7.2

- reviews and recommends to the Board a general framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director as well as for the key Management personnel. The RC's recommendations are submitted for endorsement by the entire Board;
- reviews and recommends to the Board the terms of service agreements of the Directors; and
- administers the Company's employee performance shares scheme and employee share option scheme.

The members of the RC shall ensure that each Director is not involved in deciding his own remuneration. The RC can seek expert advice from outside the Company, if necessary. During the financial year, the RC did not require the service of an external remuneration consultant. Guideline 7.3

The RC reviews the Company's obligation arising in the event of termination of 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. Guideline 7.4

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the RC. The RC will review annually all aspect of remuneration, including Directors' fees, salaries, allowance, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the managers and the Directors capable of meeting the Company's objectives and to reflect their duties and responsibilities.

The Group's remuneration policy is to provide compensation packages at market rates to reward successful performance and attract, retain and motivate managers and Directors. The remuneration packages take into account the performance of the Group and the individual Directors.

CORPORATE GOVERNANCE **REPORT**

The Independent Directors are paid yearly Directors' fees which are determined by the Chairman on the recommendation of the RC, based on the effort and time spent, and their responsibilities. These fees are subject to Shareholders' approval at each AGM of the Company. Guideline 8.3.

In recommending the remuneration packages of the Executive Director and key Management personnel, the RC is largely guided by the financial performance of the Company and the Group. The remuneration for Executive Directors comprises a basic salary and a variable component which comes in the forms of an annual bonus and share options or performance shares. Service contracts for the Executive Directors do not contain clauses that make their removal onerous.

As part of its efforts to link rewards to corporate and individual performance in relation to Management's remuneration, the Group had introduced long-term incentive schemes. The Shareholders had approved the adoption of two long-term incentive schemes, a Performance Shares Scheme ("**PS Scheme**") and an Employee Share Option Scheme ("**Share Option Scheme**"). The PS Scheme was adopted by the Company at an extraordinary general meeting held on 13 July 2007 and renewed by the Company at the AGM held on 29 April 2016 and is valid for a maximum duration of 10 years commencing from 29 April 2016. The Share Option Scheme was adopted by the Company at an extraordinary general meeting held on 30 April 2015 and can continue in operation for a maximum duration of ten (10) years commencing from 30 April 2015. Guideline 8.1 Guideline 8.2

The Share Option Scheme is for eligible employees, executive Directors and non-executive Directors. However, the PS Scheme is a plan only for eligible executives and executive Directors.

The RC has been given the responsibility to administer both the PS Scheme and Share Option Scheme. Please refer to the section titled "Directors' Statement" for further details on the PS Scheme and the Share Option Scheme.

Currently, the Company does not have any incentive components of remuneration for the Executive Director and key Management personnel. Hence, there are currently no contractual provisions to allow the Company to reclaim such 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. In the event that such incentive components of remuneration are structured for the Executive Director and key Management personnel in the future, the Company shall review the feasibility of having such contractual provisions in future (as supplemental to existing contracts of service) as recommended by the Code. The Executive Director and key Management personnel are also aware that they owe a fiduciary duty to the Company. Guideline 8.4

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Each Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The Company has recently carried out business diversification plans as part of its corporate transformation plans. The Company is also in the midst of evaluating various acquisition targets, joint venture opportunities and having strategic collaboration discussions on an ongoing basis (the "**Strategic Plans**"). Given so, the Company is and will remain as an investment management and holding company for those new businesses which it intends to invest, operate and manage. As a result, the Company sees human capital in those industries for its new businesses a key factor in giving it a competitive advantage in executing and implementing the Strategic Plans. Therefore, disclosure of details in excess of the below details may be detrimental to its business interests having regard to the highly competitive human resource environment. The Company strongly believes it is of strategic importance to assemble and build a strong and stable management team for the time being while the Company is in the midst of implementing its new business diversification strategies. Guideline 9.1 Guideline 9.2 Guideline 9.3

The Company however notes the need for corporate transparency in the remuneration disclosures. As such, the Company has disclosed the remuneration in narrower bands of S$100,000 for its Executive Director and key management personnel, and in bands of S$30,000 for its Non-Executive Directors in order to allow Shareholders to have a better understanding of the remuneration packages of its Directors and Key Management while preserving the business interests of the Group.

As disclosed below, Mr. Teh, as a substantial Shareholder, Executive Chairman and CEO of the Company, has voluntarily offered his salary to be accrued with no fixed term of repayments while the Company is still in the midst of implementing its new business strategies under the leadership of Mr. Teh.

Meanwhile, the RC had reviewed the remuneration of the Directors and the key management personnel, having regard to their contributions as well as the financial needs of the Company. The RC is of the view that the remuneration policy and amounts paid to the Directors and key Management personnel are adequate and are reflective of the present market conditions, the present operating environment and business activities of the Company.

The annual aggregate amount of the total remuneration paid to top 5 key executive(s) in FY2018 was approximately S$177,000, including executive(s) who had resigned or had been re-designated during the year.

CORPORATE GOVERNANCE **REPORT**

Details of remuneration and fees, including any termination, retirement and post-employment benefits, paid by the Group to the Directors and key Management personnel for FY2018 are set out below:

Name of Directors	Remuneration Band	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits in kind (%)	Total (%)
Executive Director						
Teh Wing Kwan[1]	Below $100,000	84	–	–	16	100
Non-Executive Directors						
Fong Heng Boo[3]	Below S$30,000	–	–	100	–	100
Chan Yu Meng[2]	Below S$30,000	–	–	100	–	100
Simon Eng	Below S$30,000	–	–	100	–	100
Lee Suan Hiang[4]	Below S$30,000	–	–	100	–	100
Andrew Chan Keng Ho[5]	Below S$30,000	–	–	100	–	100
Paul Lim Choon Wui[6]	Below S$30,000	–	–	100	–	100
Key Management						
Sim Li Ling[7]	Below S$100,000	100	–	–	–	100
Monica Kwok[8]	Below S$100,000	100	–	–	–	100

Notes:

(1) Mr Teh Wing Kwan ("Mr Teh") was appointed as Non-Executive Director and Non-Executive Chairman on 27 June 2018 and redesignated as the CEO and Executive Chairman on 24 July 2018. For FY2018, Mr Teh has voluntarily offered his salary to be accrued with no fixed term of repayments while the Company is still in the midst of implementing its new business strategies, as part of the corporate turnaround strategies.

(2) Appointed on 20 July 2018

(3) Appointed on 20 July 2018

(4) Retired on 6 April 2018

(5) Resigned on 20 July 2018

(6) Resigned on 14 July 2018

(7) Appointed on 3 September 2018

(8) Resigned on 31 July 2018

There are no employees receiving more than $50,000 in remuneration in FY2018 who are immediate family members of the Directors and the CEO. Guideline 9.4

For the financial year, there is no amount of any termination, retirement and post-employment benefits that may be granted to Directors and the key Management personnel. Guideline 9.1

CORPORATE GOVERNANCE REPORT

The Company has a PS Scheme which was adopted by the Company at an extraordinary general meeting held on 13 July 2007. The Company also has a Share Option Scheme which was adopted by the Company at an extraordinary general meeting held on 30 April 2015. As mentioned above (see section on "***Principle 7: Procedures for Developing Remuneration Policies***"), both the PS Scheme and Share Option Scheme are administered by the RC. Please refer to the section entitled "Directors' Statement" for further details on the PS Scheme and the Share Option Scheme. Since the implementation of the PS Scheme, no award of performance shares have been granted to Directors of the Company and employees under the PS Scheme.

Guideline 9.5

Employee Share Option Scheme

Guideline 9.5

The Company has a Share Option Scheme which was adopted by the Company on 30 April 2015. As mentioned above (see section on "***Principle 7: Procedures for Developing Remuneration Policies***"), the Share Option Scheme is administered by the RC.

The objectives of the Share Option Scheme are, *inter alia*:

- to motivate directors and employees of the Group and Associated Companies to greater dedication, loyalty and higher performance standards and efficiency and to maintain a high level of contribution to the Group; and
- to give recognition to the contributions made or to be made by those who have contributed significantly to the growth and performance of the Company and the Group.

In general, the following persons are eligible to participate in the Share Option Scheme:

- Group employees (including executive Directors) and non-executive Directors; and
- employees who are controlling Shareholders and their associates, provided that a separate resolution by independent Shareholders is passed for the participation of each controlling Shareholder or his associate and approving the actual number of and terms of such options granted to each controlling Shareholder or his associate.

Directors and employees of the Company's parent company and its subsidiaries (other than the Company and the Company's subsidiaries) are not entitled to participate in the Share Option Scheme.

Other salient information relating to the Share Option Scheme is set out below:

- The total number of new shares which may be issued pursuant to options granted under the Share Option Scheme and awards granted under the PS Scheme on any date shall not exceed 15% of the total number of issued share capital of the Company on the day immediately preceding the date of grant.
- The exercise price of the options granted pursuant to the Share Option Scheme will be determined by the RC in its absolute discretion. The RC may grant incentive options ("**Incentive Options**") to the participants at up to a 20% discount to the market price of the new shares.

CORPORATE GOVERNANCE **REPORT**

"Market Price" refers to a price equal to the average of the last dealt prices for a share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive market days immediately prior to the date on which the share option is granted, provided always that in the case of a market day on which the shares are not traded on the SGX-ST, the last dealt price for shares on such market day shall be deemed to be the last dealt price of the shares on the immediately preceding market day on which the shares were traded, rounded up to the nearest whole cent in the event of fractional prices.

- In general, an option granted at Market Price can be exercised during the period commencing after the first anniversary of the date on which the share option is granted, and expiring on the tenth anniversary of the date on which the share option is granted. However, an option granted at Market Price granted to a participant not holding a salaried office or employment in the Group will expire on the fifth anniversary of the date on which the share option is granted. An Incentive Option can be exercised during the period commencing after the second anniversary of the date on which the share option is granted and expiring on the tenth anniversary of the date on which the share option is granted. However, an Incentive Option granted to a participant not holding a salaried office or employment in the Group will expire on the fifth anniversary of the date on which the share option is granted.

Further details on the Share Option Scheme can be found in the Company's circular dated 15 April 2015.

Please refer to the section titled "Directors' Statement" for details on the options granted and exercised during the FY2018 pursuant to the Share Option Scheme.

Performance Share Scheme Guideline 9.5

In addition to the Share Option Scheme, the Company also has a PS Scheme which was adopted by the Company at an extraordinary general meeting held on 13 July 2007. As mentioned above (see section on "***Principle 7: Procedures for Developing Remuneration Policies***"), the PS Scheme is administered by the RC.

The objectives of the PS Scheme are, *inter alia*:

- to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance;
- to allow the Company to remain an attractive and competitive employer and be better positioned to manage its fixed overhead costs without compromising on performance standards and efficiency; and
- to foster an ownership culture within the Group, by aligning the interests of employees of the Company and its subsidiaries and non-executive Directors with the interests of Shareholders.

CORPORATE GOVERNANCE REPORT

In general, the following persons are eligible to participate in the PS Scheme:

- employees of the Company and its subsidiaries who have been employed for a minimum of 1 year or such shorter period as the RC may determine and have attained the age of 21 years on or before the date of commencement of the PS Scheme;
- executive Directors of the Company and its subsidiaries; and
- non-executive Directors (including independent Directors) of the Company and its subsidiaries.

Other salient information relating to the PS Scheme is set out below:

- The aggregate number of shares to be delivered pursuant to the vesting of the awards on any date under the PS Scheme, when added to the number of shares issued and/or issuable under any other share-based incentive schemes (including the Share Option Scheme) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.
- The award of shares of the Company ("**Awards**") under the PS Scheme will be determined at the sole discretion of the RC. In considering the grant of an award of shares, the RC may take into account, *inter alia*, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill sets, compensation and/or benefits given or to be given to the participant under the PS Scheme and any other concurrent share-based incentive schemes implemented the Company.
- Awards represent the right of a participant to receive fully paid shares of the Company free of charge, upon the participant achieving prescribed performance targets. Performance targets set under the PS Scheme are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.
- Upon the expiry of the prescribed performance period and subject to conditions as set out in the Company's circular dated 20 June 2007, the award of shares of the Company under the PS Scheme shall vest and the RC will release to the participant the shares comprised in the award, subject to the terms of the award. An award shall nevertheless be given to a participant for as long as he has fulfilled his performance targets and notwithstanding a transfer of his employment to another company within the Group or any apportionment of his performance targets within any company within the Group.

Further details on the PS Scheme can be found in the Company's circular dated 20 June 2007.

Since the implementation of the PS Scheme, no award of performance shares have been granted to Directors of the Company and employees under the PS Scheme.

CORPORATE GOVERNANCE REPORT

The remuneration components of the Executive Director and key Management personnel comprise the annual fixed cash, the annual performance incentives and the long-term incentives. Guideline 9.6

The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against the relevant industry market data, where available. The annual performance incentive variable bonus is tied to the performance of the Company, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives are subject to include benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance.

In the financial year, the PS Scheme and Share Option Scheme were the Group's long-term incentive plan. Conditions to entitlement to such long-term incentive include assessment and recognition of potential progressive performance and enhancement to asset value and shareholder value over time, taking into consideration current and future plans of the Company.

For the financial year, the performance conditions for the short-term incentives were generally met.

For the financial year under review, the remuneration package of the Company's only Executive Director as at 31 December 2018, who is also the CEO, is based on terms stipulated in his service contract. The CEO's service contract with the Company is for a fixed period. The Executive Director does not receive any Directors' fee.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board reviews and approves the results as well as any announcements before its release. Guideline 10.1

In presenting the interim and annual financial results announcements to Shareholders, including interim and other price sensitive public reports and reports to regulators, if required, it is the aim of the Board to provide the Shareholders with a balanced assessment of the Group's performance, financial position and business prospects. The Board is committed to providing Shareholders and stakeholders with timely and accurate financial statements, and is accountable to them while the Management is accountable to the Board.

CORPORATE GOVERNANCE REPORT

Periodic financial statements as well as announcements on business and other significant corporate developments and activities of the Group are made via SGXNET to keep Shareholders informed about the Group's financial positions and its progress. The Company issued a Performance Guidance on 26 February 2019 highlighting that the Group was expected to report a loss for FY2018, based on the preliminary review of the unaudited financial statements of the Group for the FY2018. The Performance Guidance further explained the key factors which resulted in the expected loss for FY2018.

As part of its efforts to take adequate steps to ensure compliance with legislative and regulatory requirements, and in line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the Shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its Directors that they each shall, in the exercise of their powers and duties as Directors, comply with, inter alia, the requirements of Singapore Exchange Securities Trading Limited pursuant to or in connection with the SGX-ST Listing Manual and will also procure the Company to do so. Guideline 10.2

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board all relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making. In particular, Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Guideline 10.3

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Internal Control Systems

The Board recognises that it is responsible for ensuring that the Management maintains a sound system of internal control to safeguard Shareholders' investments and the Group's business and assets. The Board determines the Company's level of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. Guideline 11.1

CORPORATE GOVERNANCE **REPORT**

The Board acknowledges that it is responsible for the overall internal control framework, and carries out a review on the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) at least annually, but recognises that no internal control system can ever preclude all errors and irregularities. An internal control system is designed to manage rather than eliminate the risk of not achieving business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes that in the absence of any evidence to the contrary, and from due enquiry, the system of internal controls that has been maintained by the Management is adequate to meet the needs of the Group in its current business environment. Guideline 11.2

As part of the annual statutory audit, the Company's external auditors ("**EA**") will review and highlight any material weaknesses in internal controls over the areas which are significant to the audit. Any material non-compliances or failures in internal controls and recommendations for improvements are reported to the AC in the form of a letter addressed to the AC. The AC also reviews the effectiveness of the actions taken on the recommendations made by the EA in this respect, if any.

The AC has reviewed the Company's current system of internal control and is satisfied that the overall systems of controls are adequate to meet the existing needs of the Group. In reviewing so, the AC has also taken into consideration of the fact that the Group sourced its trading products mainly from local trading houses and suppliers which are licensed by the Monetary Authority of Singapore ("**MAS**") in order to minimise risks relating to procurement practices for its existing trading business. In addition, the Group only trades with certified contracts which are listed on the London Metal Exchange ("**LME**"), thereby giving added level of assurance as guided within the framework of LME. Rule 719(1)

Based on the reports by EA and reviews performed by the Management and the AC, the Board, with the concurrence of the AC, is satisfied on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems during FY2018. Guideline 11.3

Risk Management

The Company is aware that each business and transaction of operation carries risk whether internally and/or externally in the form of environmental, operational, financial and/or Management decision making risk. Other risks would include legal risk and strategic risk (the risk of a loss arising from a poor strategic business decision). The Group has identified certain key operational risks in relation to its new business diversification plans (as set out in the circular to Shareholders dated 18 January 2019) and its existing commodities trading business (as disclosed below).

CORPORATE GOVERNANCE REPORT

No separate risk committee has been established as the AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures. The Management will continue to evaluate at regular intervals, on other relevant key business risks as may be applicable to the Company's new businesses from time to time that internal audit reports shall focus on, including operational effectiveness of the material controls in managing these risks in the future upon implementation of the new business strategies. The Company also reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. Guideline 11.4

The AC has initiated discussions with Yang Lee & Associates ("**YLA**"), a professional service firm, on an engagement to setup a formal risk management framework for the Company. Under such a framework, periodic enterprise risk assessments, will be performed no less frequently than annually in relation to the new businesses upon implementation of the business diversification plans. The enterprise risk management framework aims to present the risk assessment of the Group by key managers of the Group based on an evaluation of the likelihood and magnitude of the eventuation of certain risks the Group faces. The risks will subsequently be ranked in accordance of priority and category, and the recommendations of the internal auditor and responses of and steps taken to address such risks by the Management will be presented to the AC for consideration.

For FY2018, the Board has received assurance from the CEO and the FC that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations, finances and information technology and the Company's risk management and internal control systems in place are adequate and effective. Guideline 11.3

Key Operational Risks

The Board is aware of the operational risks which may adversely affect the Group's proposed new businesses and the existing business of trading of exchange-regulated metal products in the event that any of these risk factors and uncertainties materialise into actual events *(Please note that most, if not all, of the following events have occurred during the year under review and it should also be noted that the following are a non-exhaustive list of key operational risks, which may affect or have affected the Group's operation)*. Guideline 11.3

In addition to those material risk factors which the Group had previously set out in the circular to Shareholders for its new business diversification plans *(Please refer to the circular to Shareholders dated 18 January 2019 for further details)*, the Board believes that it is also important to highlight the key risk factors pertaining to the existing business of trading of exchange-regulated metal products for the Shareholders' information.

CORPORATE GOVERNANCE REPORT

The Existing Trading Business

General economic condition – The Group's commodities trading business may be affected by global economic conditions and is particularly sensitive to global economic growth which will have a direct impact on demand and prices of commodities. Slowing down in such economic activities may result in weaker demand for overall trading products in and affect the revenues of the existing trading business.

Sensitive to commodity prices – the Group's commodities trading business is also highly sensitive to industry developments and market conditions within the resource and mining industry, which have been highly volatile. The Group will continue to trade exchange-regulated metal products with caution given the prevailing macroeconomic conditions such as the US-China trade tension and renewed uncertainty in the commodities market. While this unfavourable market volatility may affect the Group's existing trading business, the Group will trade cautiously and keep minimum inventories.

Foreign exchange risk – Foreign exchange rates could be volatile. The Group will be exposed to foreign exchange movements. Any adverse movements in these currencies (such as the United States Dollar or the Singapore Dollar) will affect the Group's financial performance. The Group will continue to monitor the foreign currency exchange exposure closely and may hedge the exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both, if justifiable.

Additional working capital – The Group's scales of trading depends heavily on its ability to source for working capital facilities at commercially acceptable terms. Failure in securing such facilities as needed, will adversely affect the Group's trading business.

Principle 12: Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) Directors, of which two (2) are Independent Directors: Guideline 12.1

- Fong Heng Boo (Chairman)
- Chan Yu Meng (Member)
- Simon Eng (Member)

None of the AC members were a partner or director of the Company's existing auditing firm or auditing corporation within the last 12 months or during the period of which he has any financial interest in the auditing firm or auditing corporation. Guideline 12.9

CORPORATE GOVERNANCE REPORT

The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities. In particular, the Board is of the view that Mr Fong and Mr Chan have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. Guideline 12.2

The AC meets at least four (4) times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC. Guideline 12.5

The AC meets periodically with the Group's EA to review accounting, auditing and financial reporting matters so as to ensure that effective internal control is maintained in the Group. The AC has also met with the EA without the presence of the Management to review the adequacy of the audit arrangement.

The AC is guided by a set of written terms of reference, and its functions as set out in certain key terms of reference include: Guideline 12.4

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

(c) reviews the effectiveness of the Company's internal audit function;

(d) reviews the audit plans of the internal auditors and EA of the Group and the Company;

(e) reviews the financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board of Directors;

(f) reviews the scope and results of the external audit, and the independence, objectivity and cost effectiveness of the EA;

(g) makes recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;

(h) reviews transactions falling within the scope of Chapter 9 of the Listing Manual; and where necessary, reviews and seeks approval for interested person transactions; and

(i) reviews the non-audit services provided by the EA and whether the provision of such services affects their independence.

CORPORATE GOVERNANCE **REPORT**

The AC has authority to investigate any matter within its terms of reference, full access to the Management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The AC is authorised to obtain independent professional advice if they deemed necessary to properly discharge their responsibilities. Such expenses are borne by the Company. Guideline 12.3

The Company has in place a Whistle-Blowing Policy and a set of accompanying procedures since 1 January 2010 to guide the staff of the Company in reporting matters concerning suspected fraud, corruption, dishonest practices or other similar breaches regarding accounting, financial and audit matters, as well as alleged irregularities and violations of a general, operational and financial nature against the Company or against any applicable law. All employees are given the contact details of the Chairman of the AC for this purpose. There was no reported incidents pertaining to whistle blowing for FY2018. Guideline 12.7

During FY2018, the AC had held four (4) meetings to review and undertake the scope of work as set out above. The AC has also received regular updates from the EA on changes and amendments to accounting standards so as to keep abreast of these changes and their corresponding impact on the financial statements, if any. The AC reviewed the key audit matter on revenue recognition, which was a matter highlighted by the EA as a key audit matter (KAM) for the financial year ended 31 December 2018. The AC discussed with management and considered the approach and methodology adopted by the Group in respect of revenue recognition to be appropriate for its nature of business and they are in line with prevailing accounting standards and business practices and the AC is satisfied with the work and conclusion of the EA in respect of this matter. Guideline 12.8

The AC is kept informed by the Management and the EA of changes to the financial reporting standards, Listing Rules and the SGX-ST and other codes and regulations which could have an impact on the Group's business and financial statements, in addition to trainings and seminars conducted by professionals and external parties.

The Company has appointed a suitable auditing firm to meet its audit obligation, having regard for the adequacy and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the particular audit.

Foo Kon Tan LLP replaced Moore Stephens LLP as the Company's EA with effect from 8 November 2018.

Foo Kon Tan LLP is registered with the Accounting and Corporate Regulatory Authority. The Company therefore confirms that Rule 712 of the Listing Manual is complied with.

The Company's subsidiaries had appointed the same EA to meet its audit obligations in line with Rule 715 of the Listing Manual.

CORPORATE GOVERNANCE REPORT

The AC is also tasked to conduct a review of all non-audit services provided by the EA, and the AC is of the opinion, after having undertaken such a review, that the nature and volume of non-audit services provided by the EA will not affect the independence of the auditors. There were no non-audit fees paid to the EA for FY2018.

In accordance with Rule 1207(6) of the SGX Listing Manual, details of the aggregate amount of fees paid to Moore Stephens LLP and Foo Kon Tan LLP, and the breakdown of fees payable in respect of audit and non-audit services are as follows: Guideline 12.6

Fees Paid/Payable to External Auditors for FY2018		
Moore Stephens LLP		
	S$'000	**% of total**
Audit Fees	–	–
Non-Audit Fees	–	–
Foo Kon Tan LLP		
Audit Fees	46	100
Non-Audit Fees	–	–
Total	46	100

The audit partner in charge of auditing the Company completed his first audit with the Company and has not been in charge of more than five (5) consecutive audits in respect of the Company. Consequently, the AC recommended the re-appointment of Foo Kon Tan LLP as auditors at the forthcoming AGM, and this recommendation was approved by the Board.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

For FY2018, the Company's EA highlighted material weaknesses in financial controls over the areas which were significant to the audit. Any material non-compliances or failures in internal controls and recommendations for improvements were reported to the AC. Explanation for deviation from Principle 13

The Board has engaged YLA as the Company's Internal Auditors ("**IA**") to perform internal audit work for the Company's new businesses upon implementation of the business diversification strategies that the internal audit plan of the IA has considered the new risk factors associated with the Company's new businesses as set out, among others, in the Circular to Shareholders dated 18 January 2019 ("**Risk Factors for New Businesses**").

CORPORATE GOVERNANCE REPORT

The recommended scope of internal audit is to:

- assess if adequate systems of internal control are in place to protect the funds and assets of the Group and ensure control procedures are complied with;
- assess if operations of the business processes under review are conducted efficiently and effectively and provide assurance that key operational risks are identified and managed; and
- identify and recommend improvement to internal control procedures, where required.

The IA will report directly to the Chairman of the AC and submit a report on their findings to the AC for review and approval yearly. The IA, when established, will be guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors in carrying out their internal audit assignments.

To ensure the adequacy of the internal audit functions, the AC has reviewed the recommended scope of internal audit as set out above, YLA's qualifications, experience, activities, resources and standing in the Company and taking into consideration that the Company will provide unfettered access to the IA to all the Company's documents, records, properties and personnel, including to the AC, the AC is satisfied that the internal audit function of the Group can be adequately and effectively carried out.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group recognises the importance of maintaining transparency and accountability to its Shareholders. The Board ensures that all of the Company's Shareholders are treated equitably and the rights of all investors, including non-controlling Shareholders are protected. Guideline 14.1

The Group is committed to provide Shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price. Guideline 14.2

Shareholders are informed of Shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are also published in the newspaper and posted onto the SGXNet.

The Group strongly encourages Shareholder participation during the AGM, where the relevant rules and procedures governing the meetings, including voting procedures, will be clearly communicated. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters.

CORPORATE GOVERNANCE REPORT

According to the Constitution, all resolutions at general meetings shall be voted by poll.

The Company's Constitution provides that a member may appoint not more than two (2) proxies to attend and vote at general meeting in his/her stead. Shareholders who hold shares through relevant intermediaries (as defined in the Companies Act) are now able to attend and vote at general meetings under the multiple proxy regime. Guideline 14.3

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises the need to communicate with the Shareholders on all material matters affecting the Group and does not practise selective disclosure. In line with the Group's disclosure obligations pursuant to the Listing Rules, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET and the Company's website at (www.citicode.com.sg). Guideline 15.1 Guideline 15.2

Price-sensitive announcements including quarterly and full year results are released through SGXNET and made available on the Company's website (www.citicode.com.sg). All Shareholders will receive the Notice of AGM with the requisite notice period, together with a copy of the Request form for Annual Report, by post.

The Directors are mindful of their obligation to provide Shareholders with timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with: Guideline 15.3 Guideline 15.4

a. an Annual Report (with easy-to-read "Results At a Glance" explaining the financial performance and position of the Group);

b. quarterly financial results and other financial announcements as required;

c. other announcements on key developments of corporate strategies; and

d. updates through the Group's website (www.citicode.com.sg).

On the Company's website, investors will find information about the Board's profile, the Company's profile and Company's contact details as well as all publicly disclosed financial information, corporate announcements, annual reports.

The financial statements are released on SGXNET.

CORPORATE GOVERNANCE **REPORT**

The Company released announcements in relation to its six (6) major corporate developments via SGXNET and the Group's website (www.citicode.com.sg) to keep Shareholders updated on the developments and the Group, specifically on:

- appointment of new non-executive Chairman, Mr. Teh Wing Kwan;
- appointment of Mr. Teh Wing Kwan as Executive Chairman and CEO to lead implementation of growth initiatives and executive new investment strategies;
- non-binding letter of collaboration with the Tokyo-Stock Exchange listed Dai-Dan Co., Ltd and the privately-owned N&T Engineering Enterprises Pte Ltd ("N&T);
- proposed Change of Auditors to Foo Kon Tan LLP;
- proposed diversification into the new businesses of M&E and infrastructure engineering which could potentially provide technical solutions in supporting smart facilities management and smart city applications ("**Proposed Diversification**");
- proposed change of the Company name to Citicode Ltd ("**Proposed Change of Name**")

Subsequent to the financial year end, the Group also released three (3) announcements which were related to corporate developments initiated and other matters occurred in FY2018. Specifically:

- the Company updated the Shareholders on its first strategic plans upon its maiden implementation of the Proposed Diversification strategy that the Company announced the proposed acquisition of 40% and 100% equity interest in N&T and N&T Smart Engineering (Pte.) Ltd., respectively;
- the Company held an Extraordinary General Meeting ("EGM") to seek Shareholders' approval for the Proposed Diversification and Proposed Change of Name. The results of the EGM were announced with all resolutions for the EGM duly approved and passed; and
- the Company, based on the preliminary review of the Group's unaudited financial statements for FY2018, released a Performance Guidance with explanatory notes highlighting that the Group was expected to report a net loss for FY2018.

The Company has recently redesigned and updated its corporate website (www.citicode.com.sg) to more accurately inform Shareholders about "New Citicode". The new website is easy to read and is easily accessible from mobiles devices as well.

CORPORATE GOVERNANCE REPORT

Whilst the Group does not engage an external Investor Relationship ("**IR**") consultant for the time being, the Management proactively assumes the role of IR in connection with communication on major corporate developments to the media and Shareholders, including potential investors. The Company issued press releases for its major corporate developments specifically, (i) the Proposed Diversification and Proposed Change of Name; and (ii) the proposed acquisition of N&T. These corporate developments were also reported in the press publications. The Management is of the view that keeping Shareholders informed regularly is extremely important particularly when the Company is in the midst of implementing its new corporate strategies. Guideline 15.4

The Board had frank discussions and actively engaged with Shareholders during the following general meetings:

- On 8 November 2018, an EGM was held to obtain Shareholders' approval on the Proposed Change of Auditors. In addition to discussions on the agenda of this EGM, the Board also took the chance during the meeting to interact with Shareholders as this was the time when the Shareholders first met with the newly appointed Directors and during which Shareholders were updated on the background of the newly appointed Directors, strategic business directions for the announced Proposed Diversification and strategy of the Company moving forward; and

- On 12 February 2019, an EGM was held to obtain Shareholders' approval on the Proposed Diversification and Proposed Change of Name which were initiated in 2018. The Management, again, took the chance during the meeting to actively interact with Shareholders during the question and answer session and Shareholders were updated on the new businesses which the Company intends to diversify.

To enable Shareholders to contact the top Management easily, the CEO and FC have provided their email addresses for the ease of communication with Shareholders. The email address of the CEO and FC can be found in the Executive Chairman & CEO's Statement and Corporate Information sections of this Annual Report, respectively.

The Company does not have a formal dividend policy at present. The Board will take into consideration the Company's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate to determine the form, frequency and amount of dividend declared each year.

The Board does not recommend the payment of dividends for FY2018, given that the Group is the midst of implementing its new business strategies as part of its corporate transformation exercise and is in the process of (i) assessing working capital requirements for the new business diversification plans and (ii) evaluating various corporate plans relating to potential accretive acquisition, joint ventures and strategic collaboration. In addition, the Company recognises that it is of top priority to first improve the Shareholder's equity position prior to evaluating any proposed dividend payment structure for the future. Guideline 15.5

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of shareholder meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company supports active Shareholder participation at general meetings. At general meetings, Shareholders are given the opportunity and are encouraged to air their views and ask questions regarding the Group and its businesses. If Shareholders are unable to attend the general meetings, the Company's Constitution allows a Shareholder of the Company who is not a relevant intermediary (as defined in the Companies Act) to appoint up to two proxies to speak, attend and vote in place of the Shareholder. Further, a Shareholder which is a relevant intermediary may appoint more than two proxies to speak, attend and vote at general meetings. Guideline 16.1 Guideline 16.2 Guideline 14.3

Voting in absentia and by electronic mail is not presently possible and the Board is not implementing such absentia-voting methods until issues on security and integrity are satisfactorily resolved. Guideline 16.1

The Company practices having separate resolutions at general meetings on each substantially separate issue. "Bundling" of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal. Guideline 16.2

The Company requires the Chairman of the Board and the respective Chairpersons of the various Board Committees to be in attendance at the general meetings to address Shareholders' queries. The EA are also required to be present to assist the Directors to address any queries raised by Shareholders about the conduct of the audit and the preparation and contents of the auditors' report. Guideline 16.3

The Company has also complied with the provisions of the Listing Rules and has introduced poll voting at all general meetings. The voting results are validated by an independent scrutineer and announced on SGXNET on the same day as the general meeting. The detailed results of the poll voting on each resolution tabled at general meetings, including the total number of votes cast for or against each resolution, are announced after the general meetings via SGXNet. Guideline 16.5

Minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management was prepared by the Company, and made available to Shareholders upon their request in accordance with applicable laws. Guideline 16.4

CORPORATE GOVERNANCE REPORT

OTHER GOVERNANCE PRACTICES

DEALINGS IN SECURITIES

The Company has devised and adopted an internal compliance code on securities transactions to provide guidance to its Directors and officers with regard to dealing by the Company, its Directors and its officers in the Company's securities, and setting out the implications of insider trading.

In line with the internal compliance code, the Company has informed its officers not to deal in the Company's shares whilst they are in possession of unpublished material and/or price-sensitive information and during the "blackout period", which is defined as two (2) weeks and one (1) month before the announcement of the Group's quarterly and full year financial results respectively. Directors and officers are also advised not to deal in the Company's securities on short term considerations.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. In FY2018, the aggregate value of all interested person transactions (including transactions less than $100,000) amounted to nil.

The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Shareholders.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)
None	Nil	Nil

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC. The Board confirms that there are no material interested person transactions entered into during the financial year under review which fall under Rule 907 of the Listing Manual of the SGX-ST. The Company has no shareholder mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, each Director or controlling Shareholder still subsisting at the end of FY2018 or if not subsisting, entered into since the end of FY2017.

TREASURY SHARES

There are no treasury shares held by the Company at the end of FY2018.

The following is a summary of disclosures made in response to the express disclosure requirements in the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015:

Guideline	Questions	Page reference in the Annual Report
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Page 21
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	Page 25
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Page 27

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference in the Annual Report
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Page 21 and Page 22
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Page 28
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	Page 31
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Page 22
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	None
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	None – Page 24

CORPORATE GOVERNANCE **REPORT**

Guideline	Questions	Page reference in the Annual Report
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Page 35 and Page 36
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Page 35 and Page 36
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None – Page 36
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	Page 40

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Page reference in the Annual Report
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Page 32
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Page 47
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Page 43 and Page 44
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Page 47

CORPORATE GOVERNANCE **REPORT**

Guideline	Questions	Page reference in the Annual Report
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Page 51
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Page 51

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present this statement to the members together with the audited consolidated financial statements of Citicode Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**") and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and 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 for FY2018 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regard to the financial support provided by a director of the Company, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

1 Directors

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

Teh Wing Kwan	Executive Chairman and Chief Executive Officer (Appointed as Non-Executive Director and Non-Executive Chairman on 27 June 2018 and redesignated as the Chief Executive Officer and Executive Chairman on 24 July 2018)
Fong Heng Boo	Lead Independent Director (Appointed on 20 July 2018)
Chan Yu Meng	Independent Director (Appointed on 20 July 2018)
Simon Eng	Non-Independent and Non-Executive Director

2 Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or of any other corporate body, other than as disclosed under the share option scheme of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares in the Company (other than wholly-owned subsidiaries) are as follows:

	Direct		Deemed	
Name of director and corporation in which interests are held	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**
Ordinary shares				
Teh Wing Kwan	11,871,961,100	11,871,961,100	–	–
Simon Eng	–	–	2,795,598,403*	2,196,098,403*

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

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

* Simon Eng is deemed interested in shares held through Belle Forte Ltd, Fort Canning (Asia) Pte Ltd and Metech International Limited.

4 Share Option Scheme

Citicode Ltd. Employee Share Option Scheme

The Company has a Citicode Ltd. Employee Share Option Scheme (the "**Scheme**"), which was approved by the shareholders of the Company at an Extraordinary General Meeting ("**EGM**") of the Company held on 20 September 2004 and renewed at an EGM held on 30 April 2015.

A revision on the Citicode Ltd. Employee Share Option Scheme to abolish the "par value" was approved at the EGM on 18 February 2011.

As at the date of this statement, the Scheme is administered by the Remuneration Committee ("**RC**") comprising directors, Mr Chan Yu Meng (Chairman of RC), Mr Fong Heng Boo and Mr Simon Eng.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Share Option Scheme (Continued)

Share Options granted

Options granted and exercised during the financial year and unissued ordinary shares under option at the end of the financial year pursuant to the Citicode Ltd. Employee Share Option Scheme were as follows:

Date options granted	Balance at 1.1.2018	Options granted	Options exercised	Options lapsed/ cancelled	Balance at 31.12.2018	Exercise price per share	Period exercisable
12.10.2010	8,286,000	–	–	(8,286,000)	–	$0.0500	12.10.2011 – 11.10.2020
12.8.2011	8,700,000	–	–	(8,700,000)	–	$0.0250	12.8.2012 – 11.8.2021
27.3.2012	6,600,000	–	–	(6,600,000)	–	$0.0290	27.3.2013 – 26.3.2022
11.4.2014	12,000,000	–	–	(12,000,000)	–	$0.0024	11.4.2015 – 10.4.2024
	35,586,000	–	–	(35,586,000)	–		

Each share option entitles the director or employee of the Company to subscribe for one new ordinary share in the Company.

The exercise price for each share in respect of the Option, which the Option is exercisable shall be determined by the RC at its absolute discretion, and fixed by the RC at a price (the "**Market Price**") equal to the average of the last dealt price for a share, as determined by reference to the daily official list or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Grant Date of the Option, rounded up to the nearest whole cent in the event of fractional prices provided in the case of a Market Price Option that is proposed to be granted to a Controlling Shareholder or his associate, the Exercise Price for each Share shall be equal to the average of the last dealt process for a Share, as determined by reference to the daily official list published by the SGX-ST, for the 5 consecutive trading days immediately preceding the latest practicable date prior to the date of any circular, letter or notice to the shareholder proposing to seek their approval of the grant of such Options to such Controlling Shareholder or his associate.

An option shall, to the extent unexercised, immediately lapse and become null and void and a participant shall have no claim against the Company in the event that the RC shall deem it appropriate that the option granted to a participant shall lapse on the grounds that any of the objectives of the Citicode Ltd. Employee Share Option Scheme have not been met.

These options are exercisable during the period commencing after the first anniversary of the offer date of that option and expiring on the tenth anniversary of the relevant offer date, provided that the Options are granted to a participant not holding a salaried office or employment in the Group, such exercise period shall expire on the fifth anniversary of the grant date.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Share Option Scheme (Continued)

The following are participants of the Citicode Ltd. Employee Share Option Scheme who received 5% or more of the total number of options available under the Scheme, or are directors of the Company:

Name	Options granted during the financial year ended 31.12.2018	Aggregate options granted since commencement of Scheme to 31.12.2018	Aggregate options exercised since commencement of Scheme to 31.12.2018	Aggregate options cancelled since commencement of Scheme to 31.12.2018	Aggregate options outstanding as at 31.12.2018
Simon Eng	–	31,286,000	–	31,286,000	–
Monica Kwok	–	4,300,000	–	(4,300,000)	–
	–	35,586,000	–	(35,586,000)	–

Other than as disclosed in this Report, since the commencement of the employee share option plans till the end of the financial year:

(i) No options have been granted to the controlling shareholders of the Company and their associates;

(ii) No participant other than those mentioned above has received 5% or more of the total options available under the plans;

(iii) No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and

(iv) No options have been granted at a discount.

During FY2018, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of FY2018, there were no unissued shares of the Company or its subsidiaries under option.

Citicode Ltd. Performance Shares Scheme ("Citicode PS Scheme")

The Citicode PS Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting held on 13 July 2007 and renewed by the Company at the Annual General Meeting held on 29 April 2016. The Remuneration Committee was tasked to administer the Citicode Ltd. Employee Share Option Scheme and the Citicode PS Scheme. As at the date of this report, no share awards have been awarded or issued under the Citicode PS Scheme.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Fong Heng Boo	(Chairman and Independent Director)
Chan Yu Meng	(Member and Independent Director)
Simon Eng	(Member and Non-Independent Non-Executive Director)

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Committee:

- reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the Company and any announcements relating to the Group's and the Company's financial performance;
- reviews and reports to the Board at least annually the adequacy and effectiveness of the Group's and the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- reviews the effectiveness of the Company's internal audit function;
- reviews the audit plans of the internal and external auditors of the Group and the Company;
- reviews the financial statements and the auditors' report on the annual financial statements of the Group and the Company before submission to the Board of Directors;
- reviews the scope and results of the external audit, and the independence, objectivity and cost effectiveness of the external auditors;
- makes recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviews transactions falling within the scope of Chapter 9 of the Listing Manual; and where necessary, reviews and seeks approval for interested person transactions; and
- reviews the non-audit services provided by the external auditors and whether the provision of such services affects their independence.

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

The AC convened 4 meetings in FY2018. The AC has also met with the 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6 Independent Auditors

Foo Kon Tan LLP was appointed as auditor of the Company until the conclusion of the Annual General Meeting of the Company through an extraordinary general meeting held on 8 November 2018.

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the directors

Teh Wing Kwan
Director

Fong Heng Boo
Director

1 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD. (FORMERLY KNOWN AS ADVANCE SCT LIMITED)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Citicode Ltd. (formerly known as Advance SCT Limited) (the "Company") and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD. (FORMERLY KNOWN AS ADVANCE SCT LIMITED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	Risk	Our responses and work performed
Revenue recognition	Under the new accounting framework SFRS(I) 15 *Revenue from Contracts with Customers*, revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods to the customers as the Group satisfies its performance obligation. Revenue from sale of goods is recognised upon the transfer of control of the goods to the customers when the Group has fulfilled its performance obligations as stated in the sales contract. We have identified the risk of overstatement of revenue to be a Key Audit Matter since revenue is the most significant amount in the consolidated statement of comprehensive income. The Group's disclosures about revenue recognition are included in the significant accounting policies in Note 2 to the financial statements.	Our audit procedures included the following: (a) Evaluated the accounting policy for revenue recognition in accordance to SFRS(I) 15 *Revenue from Contracts with Customers*, taking into account the performance obligations stipulated in the sales transactions; (b) Reviewed contracts with customers to understand the terms and conditions therein and to ascertain the appropriateness over revenue recognition; (c) Identified and reviewed key internal controls in revenue cycle, including assessment of their design and implementation effectiveness; (d) Tested selected revenue transactions by tracing to relevant supporting invoices and documents i.e. release confirmation documents from warehousing agent, and subsequent receipt; and (e) Reviewed significant and unusual credit notes issued during the year and post-year end. Based on the results of the above procedure, we found management's revenue recognition to be appropriate. We had also assessed the adequacy and appropriateness of the disclosures made in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD. (FORMERLY KNOWN AS ADVANCE SCT LIMITED)

Report on the Audit of the Financial Statements (Continued)

Other matter

The financial statements for the financial year ended 31 December 2017 were audited by another firm of auditors whose report dated 1 March 2018 expressed a qualified opinion on those financial statements as follows:

"The Auditor's Report dated 3 April 2017 on the financial statements for the previous year ended 31 December 2016 contained a disclaimer of opinion because we were unable to determine whether:

a) adjustments to the loss on disposal of subsidiaries of S$824,000 in the consolidated statement of comprehensive income and the Group's opening accumulated losses might be necessary for the financial year ended 31 December 2016; and

b) the using of going concern assumption is appropriate in the preparation of the financial statements.

Our opinion for the current financial year ended 31 December 2017 is modified because of the possible effect of item (a) on the comparability of the current year's figure and the corresponding figure. The matter in relation to item (b) has been resolved as disclosed in the accompanying financial statements."

The matter giving rise to the qualified opinion on the financial statements for the year ended 31 December 2017 does not bring about any effects on the current year's figures, the comparability of the current year's figures and the corresponding figures.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is 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 this fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD. (FORMERLY KNOWN AS ADVANCE SCT LIMITED)

Report on the Audit of the Financial Statements (Continued)

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

In preparing the financial statements, management is responsible for assessing the Group's or the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD. (FORMERLY KNOWN AS ADVANCE SCT LIMITED)

Report on the Audit of the Financial Statements (Continued)

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

- 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 the subsidiary corporation 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 Ong Soo Ann.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	The Group			The Company		
		31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
ASSETS							
Non-current assets							
Plant and equipment	3	**–**	–	–	**–**	–	–
Investment in subsidiaries	4	**–**	–	–	**2**	2	2
		–	–	–	**2**	2	2
Current assets							
Prepayments		**5**	5	5	**5**	4	4
Trade and other receivables	5	**2,959**	7,761	2,911	**26**	6	39
Cash and cash equivalents	6	**199**	490	68	**110**	32	37
		3,163	8,256	2,984	**141**	42	80
Total assets		**3,163**	8,256	2,984	**143**	44	82
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	7(a)	**209,581**	196,454	196,454	**209,581**	196,454	196,454
Capital reserve	7(b)	**(654)**	(654)	(654)	**–**	–	–
Share options reserve	7(c)	**–**	544	544	**544**	544	544
Foreign currency translation reserve	8	**9**	(1)	15	**–**	–	–
Accumulated losses		**(209,226)**	(209,132)	(210,640)	**(212,996)**	(211,812)	(211,835)
Total attributable to equity holders of the Company		**(290)**	(12,789)	(14,281)	**(2,871)**	(14,814)	(14,837)
Non-current liabilities							
Trade and other payables	9	**162**	–	–	**162**	–	–
Borrowings	10	**200**	–	–	**200**	–	–
		362	–	–	**362**	–	–
Current liabilities							
Trade and other payables	9	**3,091**	8,114	4,636	**2,652**	3,096	3,890
Borrowings	10	**–**	12,931	4,341	**–**	11,762	2,741
Provision for legal claims	11	**–**	–	8,288	**–**	–	8,288
		3,091	21,045	17,265	**2,652**	14,858	14,919
Total liabilities		**3,453**	21,045	17,265	**3,014**	14,858	14,919
Total equity and liabilities		**3,163**	8,256	2,984	**143**	44	82

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 S$'000	2017 S$'000
Revenue	12	**54,977**	79,692
Cost of sales		**(54,209)**	(78,265)
Gross profit		**768**	1,427
Other income	13	**140**	1,860
Administrative expenses		**(1,299)**	(540)
Other expenses		**(141)**	(1,018)
Finance costs	14	**(106)**	(221)
(Loss)/Profit before income tax	15	**(638)**	1,508
Income tax expense	16	**–**	–
(Loss)/Profit for the year		**(638)**	1,508
Other comprehensive income/(losses):			
Items that may be reclassified subsequently to profit or loss:			
Net income/(losses) relating to foreign currency translation differences arising from consolidation		**10**	(16)
Other comprehensive income/(losses) for the year, net of tax		**10**	(16)
Total comprehensive (loss)/income for the year		**(628)**	1,492
(Loss)/Profit attributable to:			
Equity holders of the Company		**(638)**	1,508
Non-controlling interests		**–**	–
		(638)	1,508
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(628)**	1,492
Non-controlling interests		**–**	–
		(628)	1,492
(Loss)/Profit per share attributable to equity holders of the Company (Cents)			
– Basic and diluted (loss)/profit per share	17	**(0.0017)**	0.0101

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital S$'000	Capital reserve S$'000	Share options reserve S$'000	Foreign currency translation reserve S$'000	Accumulated losses S$'000	Total equity S$'000
Balance at 1 January 2017		196,454	(654)	544	15	(210,640)	(14,281)
Profit for the year		–	–	–	–	1,508	1,508
Other comprehensive loss for the year							
– Foreign currency translation differences		–	–	–	(16)	–	(16)
Total comprehensive income for the year		–	–	–	(16)	1,508	1,492
Balance at 31 December 2017		196,454	(654)	544	(1)	(209,132)	(12,789)
Balance at 1 January 2018		**196,454**	**(654)**	**544**	**(1)**	**(209,132)**	**(12,789)**
Loss for the year		**–**	**–**	**–**	**–**	**(638)**	**(638)**
Other comprehensive income for the year							
– Foreign currency translation differences		**–**	**–**	**–**	**10**	**–**	**10**
Total comprehensive loss for the year		**196,454**	**(654)**	**544**	**9**	**(209,770)**	**(13,417)**
Debt capitalisation exercise	7(a)	**11,187**	**–**	**–**	**–**	**–**	**11,187**
Capitalisation of redeemable convertible bond	7(a)	**2,000**	**–**	**–**	**–**	**–**	**2,000**
Share issue expenses	7(a)	**(60)**	**–**	**–**	**–**	**–**	**(60)**
Cancellation of share options	7(c)	**–**	**–**	**(544)**	**–**	**544**	**–**
Transactions with owners, recognised directly in equity							
Total transactions with owners		**13,127**	**–**	**(544)**	**–**	**544**	**13,127**
Balance at 31 December 2018		**209,581**	**(654)**	**–**	**9**	**(209,226)**	**(290)**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 S$'000	2017 S$'000
Cash Flows from Operating Activities			
(Loss)/Profit before income tax		**(638)**	1,508
Adjustments for:			
Unrealised future trading (gain)/loss	15	**(16)**	149
Unrealised foreign exchange (gain)/loss	15	**(50)**	31
Finance cost	14	**106**	221
Gain on disposal of subsidiaries	13	**–**	(169)
Provision for legal claims	15	**–**	733
Write-back of trade and other payables	13	**(78)**	(1,682)
Write-off of trade and other receivables	15	**–**	29
Operating (loss)/profit before working capital changes		**(676)**	820
Increase/(Decrease) in trade and other receivables		**4,878**	(5,155)
(Decrease)/Increase in trade and other payables		**(4,665)**	5,324
Cash (used in)/generated from operations		**(463)**	989
Interest paid		**(61)**	(75)
Net cash (used in)/generated from operating activities		**(524)**	914
Cash Flows from Investing Activities			
Net cash outflow from disposal of subsidiaries	4	**–**	(12)
Net cash used in investing activities		**–**	(12)
Cash Flows from Financing Activities			
Repayment of borrowings (Note A)		**(2,257)**	(3,597)
Proceeds from borrowings (Note A)		**550**	3,117
Share issuance expenses		**(60)**	–
Proceeds from issuance of redeemable convertible bonds (Note A)		**2,000**	–
Net cash generated from/(used in) financing activities		**233**	(480)
Net (decrease)/increase in cash and cash equivalents		**(291)**	422
Cash and cash equivalents at beginning of the year		**490**	68
Cash and cash equivalents at end of the year	6	**199**	490

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS** (Continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note A – Reconciliation of liabilities arising from financing activities

The following is the disclosure of the reconciliation of liabilities to cash flows arising from financing activities, excluding equity items:

					Non-cash changes (Note 7(a))		
	1 January 2018 S$'000	Proceeds from issue of redeemable convertible bond S$'000	Proceeds from borrowings S$'000	Repayment S$'000	Debt capitalisation S$'000	Capitalisation of redeemable convertible bonds S$'000	31 December 2018 S$'000
Borrowings	**12,931**	**2,000**	**550**	**(2,257)**	**(11,024)**	**(2,000)**	**200**
	12,931	**2,000**	**550**	**(2,257)**	**(11,024)**	**(2,000)**	**200**

				Non-cash changes (Note 10(a))		
	1 January 2017 S$'000	Proceeds from borrowings S$'000	Repayment of borrowings S$'000	Debt assignment S$'000	Foreign currency translation reserve S$'000	31 December 2017 S$'000
Borrowings	4,341	3,117	(3,597)	9,021	49	12,931
	4,341	3,117	(3,597)	9,021	49	12,931

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 General information

The financial statements of Citicode Ltd. (formerly known as Advance SCT Limited) (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of the Company's registered office is located at 1 Robinson Road #17-00, AIA Tower, Singapore 048542.

The address of the Company's principal place of business is at 33 Ubi Ave 3, Vertex, #02-22 Singapore 408868.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements.

2(a) Going Concern

As at 31 December 2018, the Group had negative equity of S$290,000 (31 December 2017 – S$12,789,000; 1 January 2017 – S$14,281,000) and net current assets of S$72,000 (31 December 2017 – net current liabilities of S$12,789,000; 1 January 2017 – net current liabilities of S$14,281,000) while the Company had negative equity of S$2,871,000 (31 December 2017 – S$14,814,000; 1 January 2017 – S$14,387,000) and net current liabilities of S$2,511,000 (31 December 2017 – S$14,816,000; 1 January 2017 – S$14,839,000). For the financial year ended 31 December 2018, the Group incurred a loss after tax of S$638,000 (2017 – profit after tax of S$1,508,000), total comprehensive loss of S$628,000 (2017 – total comprehensive income of S$1,492,000), and net operating cash outflows of S$524,000 (2017 – net operating cash inflows of S$914,000).

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. However, a director of the Company had provided a financial undertaking to the Group and the Company to provide the necessary financial support to the Group and the Company to continue operations and to meet their liabilities as and when they fall due within the next 12 months from the reporting date. Furthermore, included in other payables is an amount of S$138,600 relating to the salary, allowances and amount due to director of the Company in which the director had undertaken not to demand repayment within 12 months after year end.

Accordingly, management is of the view that the preparation of financial statements on a going concern basis is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(b) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), including related Interpretations promulgated by the Accounting Standards Council ("ASC"). These financial statements have been prepared under the historical cost conversion, except as disclosed in the accounting policies below. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standard (International), has been applied in preparing these financial statements.

The Group's consolidated financial statements until 31 December 2017 had been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). FRS differs in certain respects from SFRS(I). The Group's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I). As a result, this is the first set of financial statements prepared under SFRS(I).

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, rounded to the nearest thousand ($'000), unless otherwise stated.

2(c) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of mandatory exceptions and optional exemptions as set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

The financial statements for the year ended 31 December 2016 (where the additional opening statement of financial position as at the date of transition i.e. 1 January 2017 is presented) are audited by another firm of auditors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

In adopting the new framework, the Group and the Company will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date and relevant to the Group:

Reference	Descriptions
SFRS(I) 15	*Revenue from Contracts with Customers*
SFRS(I) 9	*Financial Instruments*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Consideration*

The application of the above standards and interpretations do not have a material effect on Group's and the Company's financial statements.

The accounting policies set out in Note 2(e) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

(a) SFRS(I) 1

The Group adopted SFRS(I) in 2018 and applied SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions in SFRS(I) 1 does not have quantitative impact on the Group's and the Company's financial statements. The Group has not elected any optional exceptions upon transition under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 in its financial statements for the year ended 31 December 2018. There are no significant changes to the basis of revenue recognition for its revenue from the sale of goods since these are recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good to the customer for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and no restatement is required for prior periods.

There is no significant financing component arising from the sale of goods.

(c) SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The following assessments have been made on the basis of facts and circumstances that existed at 1 January 2018:

- The determination of the business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").

SFRS(I) 9 replaces the provision of FRS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition, of financial instruments, and impairment of financial assets. The adoption of SFRS(I) 9 Financial Instruments from 1 January 2018 resulted in changes of accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(e) below.

The Group has assessed the impact to the consolidated financial statements. Loans and receivables accounted for at amortised cost under FRS 39 are accounted for as debt instruments at amortised cost model under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(c) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Continued)

(c) SFRS(I) 9 (Continued)

There is no significant change to the measurement basis arising from adopting the new classification and measurement model or a significant increase in the impairment loss allowance.

Issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 3	Definition of a Business	1 January 2020
Amendments to SFRS(I) 1 – 1 and SFRS(I) 1 – 8	Definition of Material	1 January 2020

SFRS(I) 16 Leases

SFRS(I) 16 Leases replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the Company has adopted SFRS(I) 15.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019. The Group expects to measure lease liabilities by applying a single discount rate to their office premises leases. The Group is likely to apply the practical expedient to recognise amounts of right-of-use ("ROU") assets equal to their lease liabilities at 1 January 2019.

Upon the adoption of SFRS(I) 16, the Group expects an increase in ROU assets and lease liabilities of S$110,392. The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in fact and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Significant judgements in applying accounting policies

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The carrying amounts of the Group's and the Company's trade and other receivables at the end of the reporting period are disclosed in Note 5 to the financial statements.

Critical accounting estimates and assumptions used in applying accounting policies

Fair value of equity shares issued for the debt capitalisation exercise and conversion of redeemable convertible bonds (Note 7(a))

The determination of the fair value of the equity shares issued for the debt capitalisation of S$11,187,172 and the conversion of redeemable convertible bonds of S$2,000,000 requires management's use of estimations.

As part of the debt capitalisation exercise and the conversion of the redeemable convertible bonds, the Group has issued 26,374,343,660 new ordinary shares at a price of S$0.0005 per share to extinguish the debts owing to the major creditors of the Group and converted the redeemable convertible bonds held by the bondholder. The details are disclosed in Note 7(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

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 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 and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Acquisitions (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration given, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposal

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on items of plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Plant and equipment	5 to 10 years
Office equipment, furniture and fittings	1 to 10 years
Motor vehicles	5 to 10 years

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets

Initial recognition and measurement

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

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding on the asset.

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.

The Group's financial assets at amortised cost include trade and other receivables (excluding prepayments) and cash and cash equivalents.

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised. At the reporting date, the Group does not hold any debt instruments at fair value through other comprehensive income.

Financial assets designated at fair value through OCI (equity instruments)

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by-instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Financial assets designated at fair value through OCI (equity instruments) (Continued)

Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

At the reporting date, the Group does not hold any equity instruments at fair value through OCI.

Financial assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investment which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established. At the reporting date, the Group does not hold any financial assets at fair value through profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. ECL 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

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-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses. 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 90 days 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.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised initially at fair value less directly attributable transaction costs. The Group's financial liabilities comprise trade and other payables and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(b) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SFRS (I) 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

(c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Derivatives financial instruments

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Compound financial instruments

Compound financial instruments issued by the Group comprise redeemable convertible bonds denominated in Singapore dollars that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Extinguishing financial liabilities with equity instruments

When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, the equity instruments issued shall be measured at their fair value, unless that fair value cannot be reliably measured. If the fair value of the equity instruments issued cannot be reliably measured, then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employee is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amounts ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and trading accounts.

Share capital

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

Provisions

Provisions are recognised when the Company and the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made. 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 the time is recognised as finance costs.

Leases

Where the Group is the lessee,

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

Where the Group is the lessor,

Operating leases

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Pension obligations

The Group and the Company contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

Related parties

A related party is defined as follows:

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Related parties (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Impairment of non-financial assets

The carrying amounts of the Group's and Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease.

- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

- A reversal of an impairment loss on a revalued asset is credited directly to equity. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

Revenue recognition

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Conversion of foreign currencies (Continued)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- Income and expenses for each statement presenting profit and loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2(e) Summary of significant accounting policies (Continued)

Earnings per share (Continued)

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effect of all dilutive potential ordinary shares, which comprise share options.

3 Plant and equipment

	Plant and equipment S$'000	Office equipment, furniture and fittings S$'000	Motor vehicles S$'000	Total S$'000
The Group				
Cost				
At 1 January 2017	1,256	92	8	1,356
Derecognised on disposal of subsidiaries (Note 4)	(1,256)	(92)	(8)	(1,356)
At 31 December 2017 and 2018	**–**	**–**	**–**	**–**
Accumulated depreciation and impairment loss				
At 1 January 2017	1,256	92	8	1,356
Derecognised on disposal of subsidiaries (Note 4)	(1,256)	(92)	(8)	(1,356)
At 31 December 2017 and 2018	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2017 and 2018	**–**	**–**	**–**	**–**
At 1 January 2017	–	–	–	–

4 Investment in subsidiaries

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
The Company			
Unquoted equity shares, at cost	**2**	2	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Investment in subsidiaries (Continued)

Details of subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by the Group			Principal activities
		31 December 2018 %	31 December 2017 %	1 January 2017 %	
Held by the Company					
Asiapac Recycling Pte. Ltd.[1]	Singapore	**100**	100	100	Dealer in all kinds of ferrous and non-ferrous metals, electrical and electronics and insulated cable scraps
Everglory Cooling Systems Pte. Ltd.	Singapore	**–**	–	100	Manufacture and repair of heating boilers, radiators and correctors and wholesale trade
Held by Everglory Cooling Systems Pte. Ltd.					
Everglory Radiators (Shenyang) Co., Ltd	People's Republic of China	**–**	–	100	Manufacture and repair of heating boilers, radiators and correctors and wholesale trade

(1) Audited by Foo Kon Tan LLP.

Disposal of subsidiaries

On 9 November 2017, the Group entered into an agreement with a third party to dispose of Everglory Cooling Systems Pte. Ltd. and its subsidiary for a consideration of S$1. Details of the disposal of the subsidiaries are as follows:

	S$'000
Effect on cash flow of the Group	
Net liabilities of the subsidiaries disposed of	(169)
Gain on disposal of subsidiaries	169
Consideration received	#
Less: Cash and cash equivalents of subsidiaries disposed of	(12)
Net cash outflow from disposal of subsidiaries	(12)

Less than S$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Trade and other receivables

	The Group			The Company		
	31 December 2018 S$'000	**31 December 2017 S$'000**	**1 January 2017 S$'000**	**31 December 2018 S$'000**	**31 December 2017 S$'000**	**1 January 2017 S$'000**
Trade receivables	**2,932**	7,753	2,656	**–**	–	–
Less: Allowance for impairment of trade receivables	**–**	–	(3)	**–**	–	–
	2,932	7,753	2,653	**–**	–	–
Other receivables						
– third parties	**10**	4	1,489	**10**	2	6
– subsidiaries	**–**	–	–	**–**	–	3,268
Derivative financial assets	**–**	–	2	**–**	–	–
Deposits	**17**	4	175	**16**	4	33
Less: Allowance for impairment of other receivables	**–**	–	(1,408)	**–**	–	(3,268)
	2,959	7,761	2,911	**26**	6	39

Trade receivables are non-interest bearing and are generally on average credit period of 30 days (31 December 2017 and 1 January 2017 – 30 days).

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

The following derivative financial assets/(liabilities) are included in the Group's statement of financial position at the end of financial year:

	31 December 2018		31 December 2017		1 January 2017	
The Group	**Contract/ notional amount S$'000**	**Assets/ (liabilities) S$'000**	**Contract/ notional amount S$'000**	**Assets/ (liabilities) S$'000**	**Contract/ notional amount S$'000**	**Assets/ (liabilities) S$'000**
Commodities future contracts	**–**	**–**	528	(11)	468	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 Trade and other receivables (Continued)

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the reporting date but not impaired. These receivables are unsecured and the analysis of their aging at the reporting date is as follows:

	The Group			The Company		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Trade receivables past due:						
Less than 30 days	**2,932**	7,753	2,653	**–**	–	–

Receivables that were impaired

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

	The Group		The Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Trade and other receivables	**–**	–	**–**	–
Less: Allowance for impairment losses:				
Balance at 1 January	**–**	1,411	**–**	3,268
Charge for the year	**–**	–	**–**	–
Disposal of subsidiaries	**–**	(1,411)	**–**	(3,268)
Write off of impairment during the year	**–**	–	**–**	–
Balance at 31 December	**–**	–	**–**	–
	–	–	**–**	–

Trade and other receivables which are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6 Cash and cash equivalents

	The Group			The Company		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Cash at bank	**140**	414	68	**110**	32	37
Trading accounts	**59**	76	–	**–**	–	–
Cash and cash equivalents	**199**	490	68	**110**	32	37

7 Capital and reserves

(a) Share capital

	2018	2017	2018	2017
	No. of shares			
	'000	'000	S$'000	S$'000
The Group and the Company				
At 1 January	**14,942,564**	14,942,564	**196,454**	196,454
Issuance of new shares	**26,374,344**	–	**13,127**	–
At 31 December	**41,316,908**	14,942,564	**209,581**	196,454

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued 26,374,343,660 new ordinary shares for a total consideration of S$13,187,172 in relation to the debt capitalisation exercise and conversion of redeemable convertible bonds amounting to S$11,187,172 and S$2,000,000 respectively. Incremental costs directly attributable to the issuance of ordinary shares amounting to S$60,000 are also recognised as a deduction from equity.

(b) Capital reserve

Capital reserve of the Group represents the excess of the consideration received from the non-controlling interests over the interests attributable to the net assets of the subsidiaries acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Capital and reserves (Continued)

(c) Share options reserve

	2018	2017	2018	2017
	Number of share options			
	'000	'000	S$'000	S$'000
The Group and the Company				
At 1 January	**35,586**	38,586	**544**	544
Share options lapsed/cancelled	**(35,586)**	(3,000)	**(544)**	–
At 31 December	**–**	35,586	**–**	544

As at 31 December 2018, managerial staff of the Group held options of Nil (31 December 2017 – 35,586,000; 1 January 2017 – 38,586,000) ordinary shares, of which 7,286,000 (1 January and 31 December 2017 – 8,286,000) will expire on 11 October 2020, Nil (1 January and 31 December 2017 – 8,700,000) will expire on 11 August 2021, Nil (31 December 2017 – 6,600,000; 1 January 2017 – 7,600,000) will expire on 26 March 2022, and Nil (31 December 2017 – 12,000,000; 1 January 2017 – 14,000,000) will expire on 10 April 2024.

At the end of the financial year 2018, the number of unissued ordinary shares under option granted are as follows:

Date options granted	Balance at 1.1.2018	Options granted	Options exercised	Options lapsed/ cancelled	Balance at 31.12.2018	Exercise price per share	Period exercisable
12.10.2010	8,286,000	–	–	(8,286,000)	–	S$0.0500	12.10.2011 – 11.10.2020
12.8.2011	8,700,000	–	–	(8,700,000)	–	S$0.0250	12.08.2012 – 11.08.2021
27.3.2012	6,600,000	–	–	(6,600,000)	–	S$0.0290	27.03.2013 – 26.03.2022
11.4.2014	12,000,000	–	–	(12,000,000)	–	S$0.0024	11.04.2015 – 10.04.2024
	35,586,000	–	–	(35,586,000)	–		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Capital and reserves (Continued)

(c) Share options reserve (Continued)

At the end of the financial year 2017, the number of unissued ordinary shares under option granted are as follows:

Date options granted	Balance at 1.1.2017	Options granted	Options exercised	Options lapsed/ cancelled	Balance at 31.12.2017	Exercise price per share	Period exercisable
12.10.2010	8,286,000	–	–	–	8,286,000	S$0.0500	12.10.2011 – 11.10.2020
12.8.2011	8,700,000	–	–	–	8,700,000	S$0.0250	12.08.2012 – 11.08.2021
27.3.2012	7,600,000	–	–	(1,000,000)	6,600,000	S$0.0290	27.03.2013 – 26.03.2022
11.4.2014	14,000,000	–	–	(2,000,000)	12,000,000	S$0.0024	11.04.2015 – 10.04.2024
	38,586,000	–	–	(3,000,000)	35,586,000		

Based on the Citicode Ltd. Employee Share Option Scheme, the share options have a contractual life of ten years and are subject to a vesting period of one year. No share options are exercisable as at 31 December 2018 (31 December 2017 - 35,586,000; 1 January 2017 - 38,586,000).

Fair Value of Share Options Granted

There are no share options granted during the current financial year ended 31 December 2018. The fair value of the share options granted was estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value of the share options had not been accounted for since they have been fully cancelled in 2018.

8 Foreign currency translation reserve

	2018 S$'000	2017 S$'000
The Group		
At 1 January	**(1)**	15
Net exchange difference on translation of foreign entities' financial statements	**10**	(16)
At 31 December	**9**	(1)

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiary whose functional currency is different from the presentation currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 Trade and other payables

	The Group			The Company		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Non-current liabilities						
Other payables	**162**	–	–	**162**	–	–
	162	–	–	**162**	–	–
Current liabilities						
Trade payables	**2,425**	6,854	1,634	**–**	–	–
Other payables	**277**	714	741	**659**	705	562
Derivative financial liabilities (Note 5)	**–**	11	–	**–**	–	–
Amounts due to related parties	**–**	105	1,721	**–**	105	1,721
Amount due to a subsidiary	**–**	–	–	**1,758**	1,894	1,202
Accrued operating expenses	**389**	430	540	**235**	392	405
	3,091	8,114	4,636	**2,652**	3,096	3,890
Total trade and other payables	**3,253**	8,114	4,636	**2,814**	3,096	3,890

The average credit period on trade purchases of goods is 30 days (31 December 2017 and 1 January 2017 – 30 days).

The amounts due to related parties and amount due to a subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

As at 1 January 2017, included in the amounts due to related parties is an amount of S$1,638,000 that was related to the legal matter as discussed in Note 24. This amount was written back to profit or loss during the financial year ended 31 December 2017 following the settlement of the suits and counter-suits (Note 13 and 24).

Included in the non-current other payables is an amount of S$138,600 which relates to the salary and allowances due to a director of the Company in which the director has undertaken not to demand repayment within 12 months after year end.

Following the completion of the debt capitalisation exercise, S$163,000 of current other payables was capitalised as equity shares of the Company as part of the arrangement with the major creditors of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Borrowings

	The Group			The Company		
	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Non-current liabilities						
Loans from third parties[a]	**200**	–	–	**200**	–	–
	200	–	–	**200**	–	–
Current liabilities						
Loans from third parties[a]	**–**	11,431	2,841	**–**	10,262	1,241
Loans from related party[b]	**–**	1,500	–	**–**	1,500	–
Convertible loans[c]	**–**	–	1,500	**–**	–	1,500
	–	12,931	4,341	**–**	11,762	2,741
Total borrowings	**200**	12,931	4,341	**200**	11,762	2,741

(a) Certain loans from third parties amounting to S$200,000 (31 December 2017 – S$1,169,000; 1 January 2017 – S$1,600,000) are unsecured and bear interest rates of 5% (31 December 2017 – 9%; 1 January 2017 – 8%) per annum. The loan of S$200,000 is due on February 2020 with interest payable in 6 instalments.

At 31 December 2017, a loan from a third party amounting to S$1,241,000 (1 January 2017 – S$1,241,000) was interest-free, secured and repayable on demand.

Included in loan from a third party at 31 December 2017 was a debt assigned to Mr. Zhang Baoan amounting to S$9,021,000 (Note 11).

On 27 February 2018, loans from third parties amounting to S$11,024,000 was capitalised into equity shares of the Company following the completion of debt capitalisation exercise (Note 7(a)).

(b) As at 31 December 2017, the loan from a related party (i.e. Fort Canning) of S$1,500,000 which carried interest at 6.5% per annum was originally due for repayment on 20 August 2018. However, subsequent to 31 December 2017, the Company had renegotiated with Fort Canning to extend the repayment date to 15 August 2019, with no additional interest being charged for the extended period. The loan had been classified as a current liability as at 31 December 2017 as the Company did not have an unconditional right to defer settlement of the loan for at least 12 months after 31 December 2017. The loan was fully repaid during the year.

(c) In the financial year ended 31 December 2016, the Company issued three 6% convertible loans denominated in Singapore dollar with a nominal value of S$0.5 million each. The convertible loans were fully repaid as at 31 December 2017.

(d) Following the approval of the shareholders of the Company on 27 February 2018, the Company issued S$2,000,000 of redeemable convertible bonds ("RCB") with a maturity date of 3 years from the date of issuance and carries a 3% coupon per annum. On 28 February 2018, the RCB was exercised and entirely converted into 4,000,000,000 new ordinary shares of the Company at S$0.0005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 Provision for legal claims

	2018 S$'000	2017 S$'000
The Group and The Company		
At 1 January	–	8,288
Addition during the year	–	733
Transfer to borrowings (Note 10)	–	(9,021)
At 31 December	–	–

The provision for legal claim was made in relation to the legal matter which was further discussed in Note 24. During the financial year ended 31 December 2017, following the settlement of the legal claims, the amount of S$9,021,000 was assigned by Qingyuan Shengli Copper Material Co Ltd. ("Vendor") to an independent third party, Zhang Baoan (Notes 10, 24 and 25).

12 Principal activities and revenue

The principal activities of the Company is that of investment holding. The principal activities of the subsidiary is set out in Note 4.

	2018 S$'000	2017 S$'000
The Group		
Revenue from contracts with customers	**54,977**	79,692

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policy:

Trading segment

Nature of goods or services	The Group principally generates revenue from the trading of copper related products in Singapore.
When revenue is recognised	Revenue is recognised at a point in time when the performance obligation has been fulfilled upon the transfer of control of goods to the customers.
Significant payment terms	The initial transaction price of the goods is determined based on sales contracts which have been agreed between the Group and its buyers. The final price of the goods may be subject to the fluctuation in market prices. Appropriate adjustments will be made to the final transaction price. Payment is due when the goods have been transferred to the customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 Principal activities and revenue (Continued)

	Trading of goods	
	2018	**2017**
	S$'000	**S$'000**
Primary geographical markets		
Singapore	**54,977**	79,692
Timing of revenue recognition		
Goods transferred at a point in time	**54,977**	79,692

Contract balances

The following table provides information about receivables from contracts with customers.

	31 December 2018	**31 December 2017**	**1 January 2017**
	S$'000	**S$'000**	**S$'000**
Trade receivables	**2,932**	7,753	2,656

13 Other income

	2018	**2017**
	S$'000	**S$'000**
The Group		
Gain on disposal of subsidiaries (Note 4)	**–**	169
Write-back of trade and other payables	**78**	1,682
Realised foreign exchange gain	**2**	–
Unrealised foreign exchange gain	**50**	–
Government grant	**2**	1
Miscellaneous income	**8**	8
	140	1,860

The write back of trade and other payables in the previous financial year consisted of S$1,638,000 which was made in connection with the settlement of the legal matter during the previous financial year as disclosed in Note 24 whereby the liability was no longer necessary pursuant to the above settlement (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 Finance costs

	2018 S$'000	2017 S$'000
The Group		
Bank charges	**7**	19
Interest expense:		
– convertible loans	**–**	57
– short-term loan	**99**	145
	106	221

15 (Loss)/Profit before income tax

The following items have been included in arriving at (loss)/profit before income tax:

	2018 S$'000	2017 S$'000
The Group		
Directors' fees (Note 18.1)	**60**	93
Staff costs (Note 18.1)		
– salaries, bonuses and other benefits	**159**	258
– contributions to defined contribution plan	**18**	26
Write off of trade and other receivables#	**–**	29
Provision for legal claims# (Note 11)	**–**	733
(Gain)/Loss on futures contracts – unrealised*	**(16)**	149
Gain on futures contracts – realised*	**(314)**	(45)
Realised foreign exchange loss	**(2)**	–
Unrealised foreign exchange (gain)/loss	**(50)**	31
Operating lease expense	**40**	–

Included in other expenses

* Included in cost of goods sold

16 Income tax expense

	2018 S$'000	2017 S$'000
The Group		
Current taxation	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 Income tax expense (Continued)

Reconciliation of effective tax rate

	2018 S$'000	2017 S$'000
The Group		
(Loss)/Profit before taxation	**(638)**	1,508
Tax at statutory rate of 17% (2017 – 17%)	**(108)**	256
Tax effect on non-deductible expenses	**32**	161
Tax effect on non-taxable income	**(13)**	(315)
Deferred tax assets on temporary differences not recognised	**182**	–
Utilisation of tax losses previously not recognised	**(93)**	(102)
	–	–

Expenses not deductible for tax purposes comprise mainly of the cost of scheme of arrangement and litigation. (2017 – comprise mainly of the provision for legal claims). Non-taxable income comprises mainly write back of trade and other payables in both 2018 and 2017.

The tax rates used for the reconciliation above are the corporate tax rates of 17% (2017 – 17%) payable by corporate entities in Singapore.

At the reporting date, the Group has tax losses of approximately S$20,002,000 (2017 – S$19,475,000) that are available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Singapore. The deferred tax assets arising from these tax losses amounting to S$3,400,000 (2017 – S$3,311,000) are not recognised owing to the uncertainty in the availability of future taxable profits which can be utilised.

17 (Loss)/Profit per share

	2018	2017
The Group		
(Loss)/Profit attributable to equity holders of the Company (S$'000)	**(638)**	1,508
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**37,125,916**	14,942,564
Basic and diluted (loss)/profit per share (cents)	**(0.0017)**	0.0101

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17 (Loss)/Profit per share (Continued)

Diluted (loss)/profit per share

For the purpose of calculating diluted (loss)/profit per share, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company only has dilutive potential ordinary shares arising from the exercise of share options in 2017 but were not included in the calculation of diluted earnings per share because there is no dilutive effect for the financial year ended 31 December 2017. As at 31 December 2018, the Company does not have any dilutive potential ordinary shares arising from the exercise of share options since they were fully cancelled during the year.

18 Significant related party transactions

18.1 Key management personnel compensations

The fees and remuneration of the directors of the Company, who are the key management personnel of the Group, are as follows:

	2018 S$'000	2017 S$'000
The Group		
Salaries, bonuses and other benefits	**159**	258
Contributions to defined contribution plan	**18**	26
Directors' fees	**60**	93
	237	377
Comprise amounts paid to:		
Directors of the Company	**134**	253
Other key management personnel	**103**	124
	237	377

NOTES TO THE FINANCIAL STATEMENTS

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19 Commitments

Operating lease commitments (non-cancellable)

Where the Group is the lessee

At the reporting date, the Group was committed to making the following rental payments in respect of operating leases of office equipment and rental of office premise with an original term of more than one year:

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
The Group			
Within one year	**46**	–	–
After one year but not more than five years	**91**	–	–

Where the Group is the lessor

At the reporting date, the Group had the following rentals receivable under non-cancellable operating leases related to rental of office premise:

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
The Group			
Within one year	**19**	–	–
After one year but not more than five years	**–**	–	–

The office rental lease expires every 12 months and contain option to renew by the lessee for an additional 12 months and a rate mutually agreed between the lessor and the lessee.

20 Segment information

The Group's segment information pertains to the following segments:

- Trading segment – trading of copper cathodes.
- Corporate segment includes Group-level investment and treasury function.

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 as explained in the table below.

Information about Major Customers

Revenue from one major customer amounted to S$21,231,241 from trading segment (2017 – S$39,242,000 from trading segment) for the financial year ended 31 December 2018.

20 Segments information (Continued)

(a) Business Segments

The following table presents revenue and results information regarding the Group's business segments:

	Note	Trading 2018 S$'000	Trading 2017 S$'000	Corporate 2018 S$'000	Corporate 2017 S$'000	Adjustments and eliminations 2018 S$'000	Adjustments and eliminations 2017 S$'000	Total 2018 S$'000	Total 2017 S$'000
Revenue									
External customers		**54,977**	79,692	**–**	–	**–**	–	**54,977**	79,692
Total revenue (Note 12)		**54,977**	79,692	**–**	–	**–**	–	**54,977**	79,692
Segment results:									
Write off of trade and other receivables		**–**	–	**–**	(29)	**–**	–	**–**	(29)
Write back of trade and other payables		**–**	–	**78**	1,682	**–**	–	**78**	1,682
Provision for legal claims		**–**	–	**–**	(733)	**–**	–	**–**	(733)
Finance costs		**(55)**	(126)	**(51)**	(95)	**–**	–	**(106)**	(221)
Segment results	A	**1,748**	963	**(1,185)**	23	**(1,201)**	522	**(638)**	1,508

	Note	Trading 31 December 2018 S$'000	Trading 31 December 2017 S$'000	Trading 1 January 2017 S$'000	Corporate 31 December 2018 S$'000	Corporate 31 December 2017 S$'000	Corporate 1 January 2017 S$'000	Adjustments and eliminations 31 December 2018 S$'000	Adjustments and eliminations 31 December 2017 S$'000	Adjustments and eliminations 1 January 2017 S$'000	Total 31 December 2018 S$'000	Total 31 December 2017 S$'000	Total 1 January 2017 S$'000
Assets:													
Segment assets	A	**4,778**	8,906	2,973	**143**	44	82	**(1,758)**	(694)	(71)	**3,163**	8,256	2,984
Segment liabilities	A	**2,197**	8,083	8,620	**3,014**	14,858	14,919	**(1,758)**	(1,896)	(6,274)	**3,453**	21,045	17,265

Notes:

A Inter-segment transactions and balances are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Segments information (Continued)

(a) Business Segments (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2018 S$'000	2017 S$'000
Revenue		
Total revenue for reportable segments	**54,977**	79,692
Consolidated revenue	**54,977**	79,692

	2018 S$'000	2017 S$'000
Profit or loss		
Total profit or loss for reportable segments from operations	**(638)**	1,508
Consolidated profit before tax	**(638)**	1,508

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Segment assets			
Total assets for reportable segments	**4,921**	8,950	3,055
Elimination	**(1,758)**	(694)	(71)
Consolidated total assets	**3,163**	8,256	2,984

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Segment liabilities			
Total liabilities for reportable segments	**5,211**	22,941	23,539
Elimination	**(1,758)**	(1,896)	(6,274)
Consolidated total liabilities	**3,453**	21,045	17,265

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Segments information (Continued)

(b) Geographical segments

The Group operates mainly in Singapore (country of domicile). The Company is headquartered and has operations in Singapore. The operations in this area are principally Group-level investment, treasury function and trading of copper cathodes.

The Group's revenue for the financial years ended 31 December 2018 and 2017 were derived from Singapore. There are no non-current assets as at 31 December 2018. (2017 and 1 January 2017: Nil)

21 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations. The key financial risks included credit risk, currency risk, liquidity risk, interest rate risk and price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's and the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, currency risk, liquidity risk, interest rate risk, price risk, use of derivative and non-derivative financial instrument.

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

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

The Group's and Company's exposure to credit risk arises primarily from its trade and other receivables. The Group's and Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and Company determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and Company's trade and other receivables at the reporting date is as follows:

Trade and other receivables by country:

	The Group			The Company		
	31 December 2018 S$'000	**31 December 2017 S$'000**	**1 January 2017 S$'000**	**31 December 2018 S$'000**	**31 December 2017 S$'000**	**1 January 2017 S$'000**
Singapore	**2,717**	5,852	259	**26**	6	39
Switzerland	**242**	1,909	2,652	**–**	–	–
	2,959	7,761	2,911	**26**	6	39

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired, are creditworthy debtors with good payment records with the Group and Company. Cash and cash equivalents are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 to the financial statements.

At the end of the reporting period, approximately 100% (31 December 2017 – 100%; 1 January 2017 – 100%) of the Group's trade receivables were due from 1 major customer (31 December 2017 – 1; 1 January 2017 – 1).

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

Exposure to credit risk (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
The Group			
Financial assets			
Trade and other receivables, excluding prepayments	**2,959**	7,761	2,911
Cash and cash equivalents	**199**	490	68
	3,158	8,251	2,979

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
The Company			
Financial assets			
Trade and other receivables, excluding prepayments	**26**	6	39
Cash and cash equivalents	**110**	32	37
	136	38	76

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of S$199,000 and S$110,000 respectively as at 31 December 2018 (2017 – S$490,000 and S$32,000; 1 January 2017 – S$68,000 and S$37,000 respectively). The cash and cash equivalents are held with reputable banks.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposure. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

Trade and other receivables

The Company and the Group apply the SFRS(I) 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit loss experiences. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company and the Group have identified the gross domestic product of Singapore, the country in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within other expenses. Subsequent recoveries of amounts previously written off are credited to other operating income. The closing loss allowances for trade and other receivables as at the reporting date reconcile to the opening loss allowances are disclosed in Note 5.

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 31 December 2018:

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Group			
At 1 January 2018			
Current (not past due)	**–**	**–**	**N.A.**
1-30 days past due	**7,753**	**–**	**No**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	7,753	**–**	

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Company			
At 1 January 2018			
Current (not past due)	**–**	**–**	**N.A.**
1-30 days past due	**–**	**–**	**N.A.**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	–	**–**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

Trade and other receivables (Continued)

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Group			
At 31 December 2018			
Current (not past due)	**–**	**–**	**N.A.**
1-30 days past due	**2,932**	**–**	**No**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	2,932	**–**	

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Company			
At 31 December 2018			
Current (not past due)	**–**	**–**	**N.A.**
1-30 days past due	**–**	**–**	**N.A.**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	–	**–**	

N.A. – Not applicable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

Trade and other receivables (Continued)

Previous accounting policy for impairment of trade and other receivables

In the prior years, the impairment of trade and other receivables were assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company and the Group considered that there was evidence of impairment if any of the following indicators were present:

– Significant financial difficulties of the debtor;

– Probability that the debtor will enter bankruptcy or financial reorganisation; and

– Default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Comparative information under FRS 39

An analysis of the credit quality and ageing of trade and other receivables are as follows:

	Group		Company	
	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Neither past due nor impaired	–	–	–	–
Past due but not impaired				
1-30 days past due	7,761	2,909	–	–
31-60 days past due	–	–	–	–
More than 60 days past due	–	–	–	–
Total not impaired trade and other receivables	7,761	2,909	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.1 Credit risk (Continued)

Comparative information under FRS 39 (Continued)

	Group		Company	
	31 December 2017 S$'000	1 January 2017 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
Past due and impaired				
1-30 days past due	–	–	–	–
31-60 days past due	–	–	–	–
More than 60 days past due	–	1,411	–	3,268
Less: Allowance	–	(1,411)	–	(3,268)
Total impaired trade and other receivables	–	–	–	–

21.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is exposed to foreign exchange risk as it maintains its assets and liabilities in various currencies. Exposure to currency risk is monitored on an ongoing basis and the Group endeavors to keep its net exposure at an acceptable level.

The Group has transactional currency exposures arising from its ordinary course of business that are denominated in a currency other than the functional currency of the Group's entities. The foreign currencies in which these transactions are denominated are mainly Renminbi ("RMB") and United States Dollars ("USD").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.2 Currency risk (Continued)

As at 31 December 2018 and 2017 and 1 January 2017, the Group's and the Company's foreign currency risk exposure are as follows:

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Group				
At 31 December 2018				
Financial assets				
Trade and other receivables	–	2,932	27	2,959
Cash and cash equivalents	–	78	121	199
	–	3,010	148	3,158
At 31 December 2018				
Financial liabilities				
Trade and other payables	–	(2,196)	(1,057)	(3,253)
Borrowings	–	–	(200)	(200)
	–	(2,196)	(1,257)	(3,453)
Net financial assets/(liabilities)	–	814	(1,109)	(295)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	(814)	1,120	306
Currency exposure on financial assets/(liabilities)	–	–	11	11

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Company				
At 31 December 2018				
Financial assets				
Trade and other receivables	–	–	26	26
Cash and cash equivalents	–	–	110	110
	–	–	136	136
Financial liabilities				
Trade and other payables	–	–	(2,814)	(2,814)
Borrowings	–	–	(200)	(200)
	–	–	(3,014)	(3,014)
Net financial assets/(liabilities)	–	–	(2,878)	(2,878)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	–	2,878	2,878
Currency exposure on financial assets	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.2 Currency risk (Continued)

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Group				
At 31 December 2017				
Financial assets				
Trade and other receivables	–	7,753	8	7,761
Cash and cash equivalents	–	457	33	490
	–	8,210	41	8,251
Financial liabilities				
Trade and other payables	–	(6,894)	(1,220)	(8,114)
Borrowings	(9,021)	(1,069)	(2,841)	(12,931)
	(9,021)	(7,963)	(4,061)	(21,045)
Net financial assets/(liabilities)	(9,021)	247	(4,020)	(12,794)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	(242)	3,907	3,665
Currency exposure on financial assets	(9,021)	5	(113)	(9,129)

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Company				
At 31 December 2017				
Financial assets				
Trade and other receivables	–	–	6	6
Cash and cash equivalents	–	5	27	32
	–	5	33	38
Financial liabilities				
Trade and other payables	–	–	(3,096)	(3,096)
Borrowings	(9,021)	–	(2,741)	(11,762)
	(9,021)	–	(5,837)	(14,858)
Net financial assets/(liabilities)	(9,021)	5	(5,804)	(14,820)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	–	5,804	5,804
Currency exposure on financial assets	(9,021)	5	–	(9,016)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.2 Currency risk (Continued)

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Group				
At 1 January 2017				
Financial assets				
Trade and other receivables	–	2,652	259	2,911
Cash and cash equivalents	9	(28)	87	68
	9	2,624	346	2,979
Financial liabilities				
Trade and other payables	(248)	(1,452)	(2,936)	(4,636)
Borrowings	–	–	(4,341)	(4,341)
	(248)`	(1,452)	(7,277)	(8,977)
Net financial assets/(liabilities)	(239)	1,172	(6,931)	(5,998)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	6	(5)	6,931	6,932
Currency exposure on financial assets	(233)	1,167	–	934

	RMB S$'000	USD S$'000	SGD S$'000	Total S$'000
The Company				
At 1 January 2017				
Financial assets				
Trade and other receivables	–	–	39	39
Cash and cash equivalents	–	5	32	37
	–	5	71	76
Financial liabilities				
Trade and other payables	–	(1,636)	(2,254)	(3,890)
Borrowings	–	–	(2,741)	(2,741)
	–	(1,636)	(4,995)	(6,631)
	–	(1,631)	(4,924)	(6,555)
Net financial assets/(liabilities)				
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	1,636	4,924	6,560
Currency exposure on financial assets	–	5	–	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.2 Currency risk (Continued)

Sensitivity analysis for foreign currency risk

A 3% (2017 and 1 January 2017 – 3%) strengthening/(weakening) of the above currencies against the respective functional currencies of the operating entities at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

	31 December 2018		31 December 2017		1 January 2017	
	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000	Equity S$'000
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
The Group						
RMB against SGD						
– strengthened 3%	–	–	(271)	(271)	(7)	(7)
– weakened 3%	–	–	271	271	7	7
USD against SGD						
– strengthened 3%	–	–	–	–	35	35
– weakened 3%	–	–	–	–	(35)	(35)
SGD against USD						
– strengthened 3%	–	–	(3)	(3)	–	–
– weakened 3%	–	–	3	3	–	–

	31 December 2018		31 December 2017		1 January 2017	
	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000	Equity S$'000
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
The Company						
RMB against SGD						
– strengthened 3%	–	–	(271)	(271)	–	–
– weakened 3%	–	–	271	271	–	–
USD against SGD						
– strengthened 3%	–	–	–	–	–	–
– weakened 3%	–	–	–	–	–	–
SGD against USD						
– strengthened 3%	–	–	–	–	–	–
– weakened 3%	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

		Contractual undiscounted cash flows			
	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
The Group					
As at 31 December 2018					
Trade and other payables	**3,253**	**3,253**	**3,091**	**162**	**–**
Borrowings	**200**	**212**	**–**	**212**	**–**
	3,453	**3,465**	**3,091**	**374**	**–**
As at 31 December 2017					
Trade and other payables	8,114	8,114	8,114	–	–
Borrowings	12,931	13,916	13,916	–	–
	21,045	22,030	22,030	–	–
As at 1 January 2017					
Trade and other payables	4,636	4,636	4,636	–	–
Borrowings	4,341	4,551	4,551	–	–
	8,977	9,187	9,187	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 Financial risk management objectives and policies (Continued)

21.3 Liquidity risk (Continued)

		Contractual undiscounted cash flows			
	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
The Company					
As at 31 December 2018					
Trade and other payables	**2,814**	**2,814**	**2,652**	**162**	**–**
Borrowings	**200**	**212**	**–**	**212**	**–**
	3,014	**3,026**	**2,652**	**374**	**–**
As at 31 December 2017					
Trade and other payables	3,096	3,096	3,096	–	–
Borrowings	11,762	12,690	12,690	–	–
	14,858	15,786	15,786	–	–
As at 1 January 2017					
Trade and other payables	3,890	3,890	3,890	–	–
Borrowings	2,741	2,831	2,831	–	–
	6,631	6,721	6,721	–	–

21.4 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.

At the reporting date, the Group and the Company are not exposed to significant interest rate risk since it does not hold any variable rate financial liabilities.

21.5 Market price risk

At the reporting date, the Group and Company are not exposed to significant market price risk since it does not hold any quoted investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

Management monitors capital with reference to net debt to total capital ratio. The Group's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The net debt to total capital ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and bank balances. Total equity is calculated as share capital plus reserves. Total capital is calculated as total equity plus net debt.

The Group currently has not adopted any formal dividend policy.

The Group is not subjected to externally imposed capital requirements.

The net debt to total capital ratio is calculated as follows:

	The Group			The Company		
	31 December 2018 S$'000	**31 December 2017 S$'000**	**1 January 2017 S$'000**	**31 December 2018 S$'000**	**31 December 2017 S$'000**	**1 January 2017 S$'000**
Net debt	**1**	12,441	4,273	**90**	11,730	2,704
Total equity	**(290)**	(12,789)	(14,281)	**(2,871)**	(14,814)	(14,837)
Total capital	**(289)**	(348)	(10,008)	**(2,781)**	(3,084)	(12,133)
Net debt to total capital ratio	**N.M.**	N.M.	N.M.	**N.M.**	N.M.	N.M.

N.M. – Not meaningful due to deficit in total capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 Financial instruments

Fair value measurement

Definition of fair value

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurement of financial assets and financial liabilities

The following summarises the significant methods and assumption used in estimating fair values of financial instruments of the Group.

Non-current financial assets and financial liabilities

The fair values of non-current other payables and loans from third parties are estimated by discounted cash flow analysis, using market borrowing rates for similar instruments and approximated the carrying value as at the reporting date.

Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities (trade and other receivables, trade and other payables, borrowings, and cash and cash equivalents) which have a maturity of less than one year approximate their fair value because of the short-term period of maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 Financial instruments (Continued)

Fair value measurement (Continued)

Financial assets and liabilities (Level 2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of commodities forward and foreign exchange forward contracts are determined using observable commodities futures and foreign exchange forward prices at the reporting date. These are classified as Level 2 and comprise derivative financial instruments.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
The Group				
31 December 2018				
Derivative financial liabilities	–	–	–	–
31 December 2017				
Derivative financial liabilities	–	(11)	–	(11)
1 January 2017				
Derivative financial assets	–	2	–	2

There were no financial assets measured as Level 1 and Level 3.

Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables approximate their respective fair value due to the relatively short-term nature of these financial instruments.

The fair value of the non-current financial liabilities and borrowings are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates available to the Group and the Company at the reporting date.

The fair value of the non-current financial liabilities and borrowings approximate its respective carrying value as the impact of a change in market interest rate is not expected to be significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24 Legal Matter

The Group entered into an agreement to acquire a copper smelting operation in the PRC (the "Acquisition") from the Vendor in August 2011. The Group and Advance SCT (Qingyuan) Co., Ltd ("former subsidiary") have been named as defendants to an arbitration proceeding that commenced in the PRC for the sum of approximately S$11,366,000 (RMB54,785,000) and relevant interest, in relation to the proposed acquisition of working capital and the legal proceedings arising from the termination of the above acquisition.

On 11 August 2015, the Company received a letter of demand for payment of an arbitration award. On 16 September 2015 and 1 October 2015, the Company filed an application to the Guangzhou Intermediate People's Court and the High Court of the Republic of Singapore respectively, for setting aside of the Arbitration Award. On 2 December 2016, Guangzhou's Intermediate People's Court rejected the Company's application to set aside the Arbitration Award. As at 31 December 2016, the Company made provision for the legal claim of approximately S$8,288,000 (RMB39,770,000) inclusive of interest as disclosed in Note 11.

The Company and the former subsidiary's holding company were counter-claiming against the Vendor in relation to the termination of the proposed acquisition. As at 31 December 2016, the counter-claim was ongoing and the Company assessed that the inflow of economic benefits arising from the counter-claim was probable.

During the financial year ended 31 December 2017, all related suits and countersuits to the legal claims has been withdrawn during the 2017 after the debts owing to the Vendor amounting to RMB43,995,000 (approximately S$9,021,000) had been assigned to an independent third party, Zhang Baoan, via a debt assignment agreement (Notes 10 and 11). The amount due to a related party under trade and other payables of S$1,638,000 (Notes 9) in connection to the counter-suit was also written back following the above settlement.

25 Scheme of arrangement

The Company held a meeting with its creditors on 29 April 2016 pursuant to its application to enter into a Scheme of Arrangement under Section 210 of the Act. A resolution approving the Scheme was passed by the creditors attending the meeting, with the requisite statutory majority in relation as to both numbers and value.

A certain creditor ("Creditor") objected to the amount of its debt admitted to the creditors' meeting by the Scheme Manager and filed a summons against the Company. On 24 August 2016, the Company announced that the Judge had adjourned the hearing of the summons to permit the Creditor to file an affidavit.

During the financial year ended 31 December 2017, all related suits and countersuits to the legal claims had been withdrawn after the debts owing to the Vendor has been assigned to an independent third party, Zhang Baoan, via a debt assignment agreement (Notes 10 and 11).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 Subsequent events

On 18 January 2019, the Company announced its intention to venture into highly specialised mechanical and electrical ("M&E") and infrastructure engineering industry ("the Proposed Diversification"). The Group will continue to operate with its current core business. The intended entry into the proposed diversification is part of the corporate strategy to provide shareholders with diversified returns and long-term growth.

On 29 January 2019, the Company has entered into a conditional sale and purchase agreement to acquire 40% stake in N&T Engineering Enterprises Pte Ltd ("N&T") for an aggregate consideration of up to S$3.5 million (the "Proposed Acquisition"). Subsequently, N&T shall transfer 100% stake of N&T Smart Engineering Pte Ltd ("N&T Smart") to the Company upon the completion of the proposed acquisition.

On 12 February 2019, the Company has lodged and obtained approval from the Accounting and Corporate Regulatory Authority ("ACRA") for the change of the Company's name from Advance SCT Limited to Citicode Ltd.

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2019

Number of issued and paid-up shares	:	41,316,907,761
Number of treasury shares held by the Company	:	Nil
Class of shares	:	Ordinary Share
Voting rights	:	One vote per share

Based on the information available to the Company as at 13 March 2018, approximately 41.32% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

	Number of shares			
NAME OF SUBSTANTIAL SHAREHOLDER	**Direct Interest**	**Deemed interest**	**Total**	**%**
TEH WING KWAN	11,871,961,100	–	11,871,961,100	28.73
TAN TIAN HONG JEFFREY*	161,907,680	5,626,249,540	5,788,157,220	14.01
PLATON RESOURCES PTE. LTD.	5,056,000,000	–	5,056,000,000	12.24
APZENITH CAPITAL PTE LTD	4,390,918,693	–	4,390,918,693	10.63
SIMON ENG**	–	2,196,098,403	2,196,098,403	5.31

* Tan Tian Hong Jeffrey is deemed interested in 5,056,000,000 shares held through his 100% interest in Platon Resources Pte Ltd and 570,249,540 shares held through his 49% interest in Sunrise Investors Pte Ltd.

** Simon Eng is deemed interested in 1,348,995,104 shares held through his 40% interest in Fort Canning (Asia) Pte Ltd, 674,644,521 shares held through his 50% interest in Belle Forte Ltd and 172,458,778 shares held through his 26.9% interest in Metech International.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	**NO. OF SHAREHOLDERS**	**%**	**NO. OF SHARES**	**%**
1 – 99	155	2.95	3,440	0.00
100 – 1,000	135	2.57	90,765	0.00
1,001 – 10,000	925	17.59	6,495,584	0.01
10,001 – 1,000,000	3,308	62.91	866,936,713	2.10
1,000,001 AND ABOVE	735	13.98	40,443,381,259	97.89
TOTAL	**5,258**	**100.00**	**41,316,907,761**	**100.00**

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TEH WING KWAN	11,871,961,100	28.73
2	PLATON RESOURCES PTE. LTD.	5,056,000,000	12.24
3	APZENITH CAPITAL PTE LTD	4,390,918,693	10.63
4	RAFFLES NOMINEES (PTE.) LIMITED	2,013,710,300	4.87
5	TAN ANTHONY @ TAN AH SENG	2,000,000,000	4.84
6	FORT CANNING (ASIA) PTE LTD	1,348,995,104	3.26
7	LIM CHWEE POH	1,247,104,194	3.02
8	TEO YI-DAR (ZHANG YIDA)	1,000,000,000	2.42
9	BELLE FORTE LTD	674,644,521	1.63
10	OCBC SECURITIES PRIVATE LIMITED	620,760,738	1.50
11	TAN PENG BOON	578,332,380	1.40
12	SUNRISE INVESTORS PTE LTD	570,249,540	1.38
13	FIRSTLINK CAPITAL PTE. LTD.	473,415,000	1.15
14	QUAH CHUNG MING	442,171,488	1.07
15	SONG TANG YIH	417,261,086	1.01
16	LIM LIANG MENG	335,000,780	0.81
17	ENG WAH YOUND	197,000,000	0.48
18	KIM LAY GEK	180,540,631	0.44
19	UOB KAY HIAN PRIVATE LIMITED	180,471,356	0.44
20	DBS NOMINEES (PRIVATE) LIMITED	175,445,460	0.42
	TOTAL	**33,773,982,371**	**81.74**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **CITICODE LTD.** (the "**Company**") will be held at Credit Savvy First Class Training Room, 10 Anson Road #28-15, International Plaza, Singapore 079903 on Thursday, 25 April 2019 at 10.30 a.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 Simon Eng, a director retiring pursuant to Regulation 104 of the Company's Constitution. **(Resolution 2)**

   *Mr Simon Eng will, upon re-election as a Director of the Company, remain as a member of the Audit Committees and Remuneration Committee and will not be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

3. To re-elect the following Directors retiring pursuant to Regulation 108 of the Company's Constitution:

   Mr Teh Wing Kwan **(Resolution 3)**
   Mr Fong Heng Boo **(Resolution 4)**
   Mr Chan Yu Meng **(Resolution 5)**

   Mr Teh Wing Kwan will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

   Mr Fong Heng Boo, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the SGX-ST.

   Mr Chan Yu Meng, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, member of the Audit Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the SGX-ST.

4. To approve the payment of Directors' fees of S$52,000 for the financial year ending 31 December 2019 (2018: S$93,000.00). **(Resolution 6)**

5. To re-appoint Foo Kon Tan LLP, Certified Public Accounts as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF 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 allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate**

"That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(A) (i) allot and issue shares in the capital of the Company (the "**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 the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note (i) and (ii)] **(Resolution 8)**

8. **Authority to grant awards and issue shares under the Citicode Employee Share Option Scheme and the Citicode Performance Shares Scheme**

"That in accordance with the provisions of the Citicode Employee Share Option Scheme and the Citicode Performance Shares Scheme (the "**Schemes**") and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to allot and issue from time to time such number of shares in the capital of the Company (collectively, the "**Scheme Shares**") as may be required to be issued pursuant to the exercise of options and/or awards granted under the Schemes, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided that the aggregate number of Shares available under the Schemes, when added to all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed 15% of the total issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time."

[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 10 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(ii) For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary 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 Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number 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 time the Ordinary Resolution 8 is passed.

(iii) The Ordinary Resolution 9 proposed above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options and/or awards and to allot and issue Shares in the capital of the Company, pursuant to the exercise of options under the Citicode Employee Share Option Scheme and/or the awards under the Citicode Performance Shares Scheme provided that the aggregate number of Shares to be issued does not exceed in total 15% of the total number of issued Shares (excluding treasury shares, and subsidiary holdings) of the Company for the time being.

NOTES:

1. Except for a member who is a Relevant Intermediary, as defined under Section 181 of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. A member who is a Relevant Intermediary (as defined in Section 181(1C) of the Act, is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM. A proxy need not be a member of the Company.

3. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

4. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

5. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Annual General Meeting will act as your proxy.

6. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's Registered office at **1 Robinson Road #17-00, AIA Tower, Singapore 048542** not less than **72** hours before the time appointed for holding the meeting and at any adjournment thereof.

NOTICE OF 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.

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

The following additional information on Mr Teh Wing Kwan, Mr Fong Heng Boo, Mr Chan Yu Meng and Mr Simon Eng, all of whom are seeking re-appointment as Directors, is to be read in conjunction with their respective biographies under the section entitled "Board of Directors".

	Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	**Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC**	**Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member**	**Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member**
Age	47	69	47	59
The Board's comments on the re-appointment	The Board of Directors, having considered the qualifications, work experience and suitability of Mr. Teh Wing Kwan ("Mr Teh") as well as the recommendation of the Nominating Committee, has approved the re-appointment of Mr. Teh as Executive Chairman and Chief Executive Officer of the Company.	The Board of Directors, having considered the qualifications, work experience and suitability of Mr. Fong Heng Boo ("Mr Fong") as well as the recommendation of the Nominating Committee, has approved the re-appointment of Mr. Fong as an Independent Director of the Company. Mr Fong will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.	The Board of Directors, having considered the qualifications, work experience and suitability of Mr. Chan Yu Meng ("Mr Chan") as well as the recommendation of the Nominating Committee, has approved the re-appointment of Mr. Chan as an Independent Director of the Company. Mr. Chan will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.	The Board of Directors, having considered the qualifications, work experience and suitability of Mr. Simon Eng ("Mr Eng") as well as the recommendation of the Nominating Committee, has approved the re-appointment of Mr. Eng as a Non-Executive Non Independent Director of the Company.
Working experience and occupation(s) during the past 10 years	Mr Teh was the Group CEO and Managing Director of the SGX-listed Sapphire Corporation Limited from October 2013 to December 2017. Under his leadership, Sapphire has undergone a major corporate restructuring and transformation plans. Mr Teh is currently the non-executive Chairman of the HKSE-listed China Vanadium Titano-Magnetite Mining Company Limited and Advisor to the Board of the SGX-listed Koda Ltd. He also served as a non-executive director of other public companies listed on the SGX-Catalist, HKSE and ASX.	Director (Special Duties) Singapore Totalisator Board	2007 - Present Partner, Lee & Lee	Mr Eng served 18 years as a senior officer in an elite service of the Singapore Government until 2004, when he retired to join Singapore-listed United Engineers Ltd. He then served as UE's China CEO and lived in Beijing and Shanghai until 2007. Mr Eng left UE in 2008 to set up a wastes and wastewater treatment company that invested in several treatment facilities in China. He has since sold the company. In addition to his private sector experience, his many years in the public sector as well as his stint as Singapore's representative to the United Nations in 1996 has also given him extensive experience in government and diplomatic matters and exposure to international affairs.

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

		Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC	Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member	Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member
Shareholding interest in the listed issuer and its subsidiaries		11,871,961,100 ordinary shares	No	No	Mr Eng has a deemed interest in approximately 5.31% of the shares of the Company by virtue of his interest in the shares of Fort Canning (Asia) Pte Ltd, Belle Forte Ltd and Metech International Limited.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries		No	No	No	Simon Eng is deemed interested in 1,348,995,104 shares held through his 40% interest in Fort Canning (Asia) Pte Ltd, 674,644,521 shares held through his 50% interest in Belle Forte Ltd and 172,458,778 shares held through his 26.9% interest in Metech International Limited.
Conflict of interest (including any competing business)		No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) or (in the format set out in Appendix 7H) under Catalist Rule 720(1) has been submitted to the listed issuer		Yes	Yes	Yes	Yes
(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	No	No

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

		Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC	Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member	Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member
(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	Yes Mr Fong was appointed as a Non-Executive Director of China Foodzart International Private Ltd ("China Foodzart") on 18 March 2011 and resigned on 25 August 2011. On 20 September 2012, various winding up applications were commenced against China Foodzart on the ground that China Foodzart was unable to pay its debts and it was wound up on 24 September 2013.	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	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	No	No

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

		Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC	Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member	Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member
(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	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	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	No	No

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

		Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC	Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member	Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member
(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	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Yes Mr. Fong was an employee (General Manager, Corporate Affair) of Amcol Holdings Ltd between January 1995 and May 1996. He was a prosecution witness in March 1998 in a court case involving 3 directors of Amcol Holdings Ltd and 3 directors were charged for failure to act honestly in their discharge of duties as Directors under Section 157(1) and 157(3) of the Companies Act, Cap. 50	No	No

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-APPOINTMENT**

		Mr Teh Wing Kwan, Executive Chairman and CEO, NC member	Mr Fong Heng Boo, Lead Independent Director, AC Chairman, NC Chairman, Member of RC	Mr Chan Yu Meng, Independent Director, RC Chairman, AC Member and NC Member	Mr Simon Eng, Non-Executive Non-Independent Director, AC and RC Member
	(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	No	No	No	No
	(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	No	No	No	No
	(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,	No	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	Yes, under the Directors' and Executive Officers' Watchlist as was reprimanded by SGX on 30 Oct 2015.

CITICODE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number 200404283C)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("**CPF Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms and set out in the Notice of Annual General Meeting dated 10 April 2019.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (name)

of _____ (address)

being a member/members of **Citicode Ltd.** (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Credit Savvy First Class Training Room, 10 Anson Road #28-15, International Plaza, Singapore 079903 on Thursday, 25 April 2019 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Ordinary Resolutions relating to:**	**Number of Votes For***	**Number of Votes Against***
1.	To receive and adopt the Directors' Statement and Audited Financial Statements, and Report of the Auditors thereon, for the financial year ended 31 December 2018.		
2.	To re-elect Mr Simon Eng as a Director of the Company.		
3.	To re-elect Mr Teh Wing Kwan as a Director of the Company.		
4.	To re-elect Mr Fong Heng Boo as Director of the Company.		
5.	To re-elect Mr Chan Yu Meng as Director of the Company.		
6.	To approve the payment of Directors' fees for the financial year ending 31 December 2019.		
7.	To re-appoint Foo Kon Tan LLP, Public Accountants and Chartered Accountants as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise the Directors to allot and issue new shares.		
9.	To authorise to Directors to offer and grant options and to issue shares under the Citicode Employee Share Option Scheme and the Citicode Performance Shares Scheme.		

* If you wish to exercise your entire votes "For" or "Against", please mark an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total Number of Shares Held

.....

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

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181 of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each 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 number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

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

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at **1 Robinson Road #17-00, Singapore 048542**, not less than **72 hours** before the time set for the AGM.

6. The instrument appointing a proxy or proxies must be 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 duly authorised officer.

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

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. Investors who have used their CPF monies ("**CPF Investors**") to buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM 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.



CITICODE LTD

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