HUAN HSIN HOLDINGS LTD
奐鑫控股有限公司

Annual Report 2019

CORPORATE PROFILE

Established in 1980, Huan Hsin Group is an integrated contract manufacturer of telecommunications and electronic products. With its manufacturing plant in the People's Republic of China and marketing office in Taiwan, the Group's integrated operations include plastic injection, wire and cable and finished product assembly.

CONTENTS

CORPORATE MISSION

We will meet evolving customer needs in an increasingly challenging business environment, by the following:

- Vertical integration of our manufacturing operations to deliver finished products at the most competitive prices.
- Maintaining high quality standards and be mindful of costs at all times.
- Strengthening relationships with our customers, employees and business associates.
- Further development of synergistic investments.

PRESIDENT'S MESSAGE

DEAR FELLOW SHAREHOLDERS

On behalf of the board of directors ("**Board**" or "**Directors**") and the Management of Huan Hsin Holdings Ltd (the "**Company**" and together with its subsidiaries, the "**Group**"), I present you with the Company's Annual Report for the financial year ended December 31, 2019 ("**FY2019**").

Since 2015, we have been implementing a multi-faceted corporate restructuring strategy to streamline operations, lower costs through the disposal of non-performing assets, as well as reduce borrowings and identify opportunities to boost income streams through acquisitions and diversification. Accordingly, the Group's revenue has seen consecutive annual decreases largely due to the shutting down of loss-making facilities in China and Malaysia.

During the year under review, the Group continued to face a challenging environment due to intense global competition and higher demand for competing technological products in the market. Along with our scaled down operations, this led to a further decline of 29% to the Group's revenue from S$15.7 million in FY2018 to S$11.2 million in FY2019.

UPDATE ON EGM WAIVER APPLICATION FOR PROPOSED DISPOSAL

On November 22, 2018, the Board announced the proposed disposal of land use rights in relation to the land and buildings located on top of the land in Weihai City, Shandong Province, the People's Republic of China ("**PRC**"), by the Company's wholly-owned subsidiary, Shandong Dong Hsin Electronics Co., Ltd. (the "**Proposed Disposal**").

The Proposed Disposal constituted a "**Major Transaction**" as defined under Chapter 10 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and is accordingly conditional upon, among other things, the approval of the shareholders of the Company ("**Shareholders**") being obtained at an extraordinary general meeting ("**EGM**") pursuant to Rule 1014(2) of the Listing Manual. The Company applied to the SGX-ST for a waiver ("**EGM Waiver**") from having to comply with the requirement to convene an EGM for the Proposed Disposal.

The Board informed the Shareholders by way of a public announcement released via SGXNet on March 6, 2020 ("**EGM Waiver Announcement**") that the SGX-ST had informed the Company that, among other things, the SGX-ST had no objections to the Company's application for the EGM Waiver with regard to compliance with Rule 1014(2) of the Listing Manual in respect of the Proposed Disposal, subject to the following conditions:

(a) The Company announcing the EGM Waiver granted, the reasons for seeking the EGM Waiver, the conditions as required under Rule 107 of the Listing Manual, and if the EGM Waiver conditions are satisfied. If the EGM Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and

(b) The Company and/or its controlling shareholders providing a reasonable cash exit offer to the minority shareholders.

(collectively, the "**EGM Waiver Conditions**")

In respect of condition (a) of the EGM Waiver Conditions, the reasons for seeking the EGM Waiver was announced in the EGM Waiver Announcement.

In respect of condition (b) of the EGM Waiver Conditions, the Company wishes to state the following:

(i) the Company and Pacific Moment Holdings Ltd. (the "**Offeror**") had, on April 29, 2020, jointly announced that the Offeror would be making a conditional cash exit offer (the "**Exit Offer**") to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares) other than the shares already held directly or indirectly by the Offeror as at the date of the Exit Offer (the "**Offer Shares**") at the exit offer price of S$0.016 for each Offer Share;

(ii) the Company and the Offeror had, on May 14, 2020, jointly announced that the exit offer letter ("**Exit Offer Letter**") containing, among other things (a) the terms and conditions of the Exit Offer, (b) the letter from the Company to the Shareholders ("**Company's Letter to Shareholders**") and (c) the letter from Provenance Capital Pte. Ltd. (the "**IFA Letter**") who is the independent financial adviser (the "**IFA**") to the directors of the Company who are considered to be independent (the "**Independent Directors**") for the purposes of providing a recommendation on the Exit Offer to the Shareholders, have been despatched to the Shareholders on May 14, 2020; and

(iii) The IFA had, in the IFA Letter, stated that it is of the view that the financial terms of the Exit Offer are **fair and reasonable** and accordingly advise the Independent Directors to recommend the Shareholders to accept the Exit Offer.

In light of the above, the Company considers that it has met all the EGM Waiver Conditions and therefore, the EGM Waiver has become effective.

Please refer to Company's announcements dated November 22, 2018, March 1, 2019, March 6, 2020 and May 15, 2020 for more information on the Proposed Disposal and EGM Waiver.

EXIT OFFER IN CONNECTION WITH DELISTING FROM SGX-ST

The Company was placed on the SGX-ST's relevant watch-list on March 5, 2014 and June 5, 2017 respectively. The Company was subsequently granted extensions of time to meet the requirements for removal from the watch-List on March 11, 2016, May 3, 2017 and March 2, 2018. On March 2, 2018, the SGX-ST informed the Company that the extension given to the Company to comply with the requirements for removal from the watch-List by March 4, 2019 would be the final extension.

On December 19, 2018, the Company received a notification of delisting from the SGX-ST ("**Delisting Notification**"). Trading in the Company's securities was subsequently suspended from 9.00 am, January 21, 2019 until the completion of an exit offer to be made by the Company or its controlling shareholder(s), following which the Company will be delisted.

On April 29, 2020 ("**Joint Announcement Date**"), the Company and the Offeror jointly announced that the Offeror has presented to the Directors a formal proposal to make the Exit Offer to the shareholders of the Company pursuant to Rules 1306 and 1309 of the Listing Manual (the "**Delisting Proposal**") in connection with the directed delisting of the Company by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification.

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands on October 5, 2015. The principal activities of the Offeror are those of an investment holding company. Its shareholders and directors are namely Mr Hsu Hung Chun, who is also the Chairman of the Company, and Mr Hsu Cheng Chien, who is also the Managing Director of the Company. As at the Joint Announcement Date, the Offeror does not hold any shares in the Company.

Under the Delisting Proposal, the Offeror will make the Exit Offer to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares), other than those shares already held directly or indirectly by the Offeror as at the date of the Exit Offer, in accordance with Section 139 of the Securities and Futures Act (Chapter 289) of Singapore and the Singapore Code on Take-overs and Mergers (the "**Code**").

On May 14, 2020, the Exit Offer Letter which contains, among other things, (a) the terms and conditions of the Exit Offer and (b) the Company's Letter to Shareholders set out as **Appendix III** to the Exit Offer Letter, together with the Form of Acceptance and Authorisation ("**FAA**") and/or the Form of Acceptance and Transfer ("**FAT**"), as the case may be (collectively, the FAA and FAT shall be referred to as the "**Acceptance Forms**"), were despatched to the Shareholders. The relevant announcement ("**Despatch Announcement**") concerning the despatch of Exit Offer Letter and Acceptance Forms has been released via SGXNet on May 14, 2020.

Shareholders (including overseas shareholders) who have not received the Exit Offer Letter, the relevant Acceptance Forms and the Company's Letter to Shareholders may refer to the Despatch Announcement for details on how to obtain a copy of the said documents.

PRESIDENT'S MESSAGE

Shareholders are advised to read the Exit Offer Letter which contains, among other things, the terms and conditions of the Exit Offer and includes the Company's Letter to Shareholders, together with the relevant Acceptance Forms, carefully and in their respective entirety.

As at the Joint Announcement Date, the issued and paid-up share capital of the Company is S$151,096,603 comprising 400,000,000 shares. There are no shares held by the Company as treasury shares.

As at the Joint Announcement Date, the Company has no outstanding instruments convertible into, rights to subscribe for, warrants, options (whether pursuant to an employee share option scheme or otherwise) nor derivatives in respect of securities which carry voting rights of the Company.

KEY EXIT OFFER TERMS:

Exit Offer Price

Under the terms of the Exit Offer, the Offeror has made the Exit Offer at:

For each Offer Share: S$0.016 in cash (the "**Exit Offer Price**").

The closing price of the Shares on December 20, 2018, being the date on which the Shares were last traded on the SGX-ST prior to the suspension of the trading of the Shares, was S$0.014. The Exit Offer Price represents a premium of approximately 14.3% over the closing price of the Shares on December 20, 2018. Based on the latest published audited consolidated financial statements of the Company for the financial year ended December 31, 2018, the net liabilities of the Group amounted to approximately S$74,696,000. The loss of the Group attributable to Shareholders was approximately S$0.0062 per Share. The Exit Offer Price is therefore at a premium when compared with the net liability position of the Group.

The Exit Offer has been extended to all Offer Shares and the Exit Offer Price is applicable to all Offer Shares tendered in acceptance. Shareholders may accept the Exit Offer in full or in part of their holdings of Offer Shares.

Duration and Closing Date

The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Exit Offer Letter by the Offeror to the Shareholders.

Although no extension of the Exit Offer is currently contemplated by the Offeror, if the Exit Offer is extended, announcements will be made on such extensions, and the Exit Offer will remain open for acceptance for such period as may be announced by the Offeror. If the Exit Offer is extended, Shareholders who have validly accepted the Exit Offer in respect of part of their shares will be entitled to tender additional Offer Shares in acceptance of the Exit Offer.

For the avoidance of doubt, the Exit Offer will close at 5.30 pm on June 11, 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the "**Closing Date**").

If there is an extension of the Exit Offer, then pursuant to Rule 22.4 of the Code, any announcement of an extension will state the next Closing Date or if the Offer is unconditional as to acceptances, a statement may be made that the Exit Offer will remain open until further notice. In the latter case, Shareholders who have not accepted the Exit Offer will be notified in writing at least 14 days before the Exit Offer is closed.

Shareholders should note that the Company will be delisted from the Official List of the SGX-ST after the Closing Date, and Shareholders who have not accepted the Exit Offer by the Closing Date will hold shares in an unlisted public company after the Company is delisted. Shareholders are advised to refer to the Exit Offer Letter for details on the implications of holding on to shares in an unlisted public company.

PRESIDENT’S MESSAGE

Offeror’s Intentions for the Company

Following the close of the Exit Offer, the Offeror has no immediate plans for:
(i) making material changes to the Group’s existing business;
(ii) re-deploying the Group’s fixed assets;
(iii) discontinuing the employment of the employees of the Group, other than in the ordinary course of business; or
(iv) listing the Shares on another stock exchange.

Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company, including but not limited to disposing of non-performing assets to lower operational costs in order to reduce the losses and borrowings of the Group and to streamline the Group’s operations as and when suitable opportunities arise.

Exit Offer Letter

Full details of the procedures for acceptance of the Exit Offer and additional information on the settlement of the consideration for the Exit Offer are set out in the Exit Offer Letter and in the Acceptance Forms, all of which were despatched on May 14, 2020. Shareholders are advised to read them carefully and in their respective entirety.

Please refer to the Despatch Announcement released on May 14, 2020 via SGXNet for more information.

Further Information

Further information on the Exit Offer can be found in the Company’s announcements on SGXNet dated April 29, 2020 and May 14, 2020. Also, its detailed terms and conditions are set out in the Exit Offer Letter which was despatched to the Shareholders on May 14, 2020. **Shareholders shall refer to the Company’s announcements released via SGXNet for further development of the Exit Offer. If Shareholders are in any doubt about the Delisting, the Exit Offer or matters contained in the Exit Offer Letter or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately**.

The Board is committed to the process of corporate restructuring and disposing of non-performing assets towards further improving our financial position.

I wish to extend my deepest and sincerest gratitude towards all our valued stakeholders – my fellow Shareholders, Board members, senior management and employees, and business partners – for your continued perseverance, innovative vision, untiring diligence and heart-warming loyalty as we keep navigating these difficult waters and forging a path towards a brighter future.

Thank you.

HSU HUNG CHUN
President
HUAN HSIN HOLDINGS LTD

BOARD OF DIRECTORS

1. HSU HUNG CHUN | Chairman
Mr. Hsu Hung Chun, aged 65, has been the Director and Chairman of the Board since December 26, 1995. He is an executive director and serves as a member of the Nominating Committee.

Mr. Hsu Hung Chun is also the President and founder of the Group. He is responsible for business development and all the marketing activities of the Group. He is also in charge of the Group's investment policy, banking and financial issues. He graduated in 1973 from Taipei High School, Taiwan and previously worked as a sales manager in a manufacturing company and a trading company.

He is a substantial shareholder of the Company and has interests in certain transactions with the Group, which are disclosed on page 28 of the Annual Report. He is the brother of Mr. Hsu Cheng Chien and was last re-elected on April 25, 2018.

2. HSU CHENG CHIEN | Managing Director
Mr. Hsu Cheng Chien, aged 63, was appointed to the Board on December 26, 1995 and subsequently as Group Managing Director on May 28, 1997. He is an executive director.

As the Managing Director of the Group, he is in charge of the overall operation and production of the Group, setting and implementing long-term business objectives and strategic planning of the Group. He graduated in 1974 from Yu Da Business School, Taiwan. Prior to joining the Group in 1980, he was head of the material control and purchasing department in a manufacturing company.

He is a substantial shareholder of the Company and has interests in certain transactions with the Group, which are disclosed on page 28 of the Annual Report. He is the brother of Mr. Hsu Hung Chun and was last re-elected on April 28, 2017.

3. LIM HOCK BENG | Independent Non-executive Director
Mr. Lim Hock Beng, aged 81, was appointed to the Board on May 16, 1997 and is the Lead Independent non-executive director. He serves as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

He was the founder and the managing director of Lim Associates Pte Ltd, which provides corporate secretarial services to private and public listed companies, for 27 years until his retirement in year 1995. Currently, he is the managing director of a private investment holding company with its principal interests in investing in quoted securities and overseas properties. He holds a Diploma in Management Accounting & Finance and is a Fellow member of the Singapore Institute of Directors.

Current directorships in public companies listed on SGX include Colex Holdings Ltd.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-appointed on April 25, 2018.

4. LAU PING SUM, PEARCE | Independent Non-executive Director
Mr. Lau Ping Sum, Pearce, aged 79, was appointed to the Board on May 28, 1997. He is an independent non-executive director and serves as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Prior to joining the Board, he held management positions as head of IT in two financial institutions and a statutory board. He was a Member of Parliament between 1980 and 1996. He was also the Political Secretary (Health) from 1981 to 1985.

Mr Lau holds a Bachelor of Economics degree from the Australian National University and a Diploma in Business Administration from the University of Singapore. He is a member of the Singapore Institute of Directors. In addition, he is a member of the Programme Advisory Committee for BA Translation and Interpretation and an examiner for Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences.

BOARD OF DIRECTORS

Current directorships in other publicly listed companies on SGX are Cortina Holdings Ltd, Sunpower Group Ltd and P5 Capital Holdings Ltd.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-appointed on April 24, 2019.

5. CHEW HENG CHING | Independent Non-executive Director
Mr. Chew Heng Ching, aged 68, was appointed to the Board on August 25, 2004. He is an independent non-executive director and serves as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

He is the Founding President of the Singapore Institute of Directors and was the Past Chairman of its Governing Council. He has more than 30 years of senior management experience in both the public and private sectors. He was previously a member of the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. He was a director and past Chairman of the Singapore International Chamber of Commerce. He was also a Council member of the Singapore Business Federation.

Mr Chew was a Member of Parliament from 1984 to 2006, and a former Deputy Speaker of the Singapore Parliament.

A Colombo Plan scholar, he is a graduate in Industrial Engineering (1st Class Honours) and Economics from the University of Newcastle, Australia. He also received an Honorary Doctorate in Engineering from the same University. Professionally, Mr Chew is a fellow of the Singapore Institute of Directors and CPA Australia.

His current directorships in public companies listed on SGX include Bonvests Holdings Limited, Pharmesis International Ltd, Sinopipe Holdings Limited and AusGroup Limited.

He does not hold any share or share option in the Company. He is not related to any Director and/or substantial shareholders of the Company, nor has any personal interest in any business involving the Company. He was last re-elected on April 25, 2016.

6. HSU MING HUNG | Executive Director
Mr. Hsu Ming Hung, aged 59, was appointed to the Board on May 28, 1997 and is an executive director.

He assists the Managing Director in implementing, reviewing and verifying the overall corporate strategy and policies of the Group. He graduated from Nan Ya Industrial Training School, Taiwan in 1983 and has been with the Group for more than 15 years.

He has interests in certain transactions with the Group, which are disclosed on page 28 of the Annual Report. He does not hold any share option but holds 750,000 shares in the Company. He is the nephew of Messrs Hsu Hung Chun and Hsu Cheng Chien. He was last re-elected on April 24, 2019.

OPERATIONS REVIEW

OVERVIEW

In FY2019, the Group saw a further fall in revenue due to intense global competition and reduced demand for the Group's telecommunications and electronic products. The accompanying decrease in the cost of inventories was in line with the lower revenue. Due to the Group's corporate downsizing and restructuring to streamline operations and lower costs, there were subsequent declines in employee benefits expenses and other operating expenses.

Group revenue decreased by 29% to S$11.2 million in FY2019 from S$15.7 million in FY2018. The decline in revenue was the result of weaker demand for the Group's telecommunications and electronic products.

Other operating income fell to S$4.1 million in FY2019 from S$15.1 million in FY2018, mainly due to the gain on the disposal of property, plant and equipment and land use rights of S$11.3 million in FY2018.

Raw materials and consumables used
Changes in inventories of finished goods and work-in-progress
Cost of inventories decreased to S$6.2 million in FY2019 from S$8.3 million in FY2018 which was in line with the lower revenue.

Employee benefits expenses shrank by 33% to S$6.4 million in FY2019 from S$9.6 million in FY2018 as a result of lower headcount.

Other operating expenses (which include selling and distribution costs and manufacturing overheads) declined by 8% to S$9.1 million in FY2019 from S$10.0 million in FY2018. In FY2019, there was a one-off loss relating to the winding up of two subsidiaries (Chongqing Huan Hsin Technology Co., Ltd. and Shanghai Heisei Electronics Co., Ltd.) of S$2.3 million.

Group net loss
As a result of the above, the Group incurred a net loss of S$11.8 million in FY2019 compared to a net loss of S$2.5 million in FY2018.

FINANCIAL POSITION REVIEW

The Group's total current assets stood at S$7.6 million as at December 31, 2019 compared to S$24.0 million as at December 31, 2018. The decrease in other receivables, deposits and prepayments was mainly due to proceeds from disposal of property, plant and equipment and land use rights.

In 2018, the Group disposed property, plant and equipment and land use rights with aggregate proceeds of S$19,238,000. Out of the aggregate proceeds, S$9,156,000 remained outstanding as of December 31, 2018 and had been included in other receivables. A further sum of S$8,560,000 was received during FY2019.

The Group's total current liabilities stood at S$50.3 million as at December 31, 2019 compared to S$70.5 million as at December 31, 2018. The decrease in borrowings was due to repayment of short-term borrowings and reclassification of S$12.1 million from current liabilities to non-current liabilities.

CASH FLOW REVIEW

Operating activities: Net cash usage of S$6.0 million in FY2019, primarily due to operational losses.

Investing activities: Net cash inflow of S$8.5 million in FY2019, consisting of proceeds from the disposal of property, plant and equipment and land use rights.

Financing activities: Net cash usage of S$7.0 million in FY2019, mainly due to the repayment of borrowings.

GROUP FINANCIAL HIGHLIGHTS

Operating Results of the Group	Financial Year Ended December 31				
	2015	2016	2017	2018	2019
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	151,083	52,575	24,356	15,747	11,194
Profit / (Loss) before income tax	(57,186)	13,617	(20,588)	(2,861)	(11,799)
Income tax	273	(3,833)	–	393	(11)
Profit / (Loss) after income tax	(56,913)	9,784	(20,588)	(2,468)	(11,810)
Non-controlling interests	(50)	–	–	–	–
Profit / (Loss) attributable to shareholders	(56,963)	9,784	(20,588)	(2,468)	(11,810)
Profit / (Loss) per ordinary share (cents)					
(i) Based on the number of ordinary shares in issue (note 1)	(14.24)	2.45	(5.15)	(0.62)	(2.95)
(ii) On a fully diluted basis (note 2)	(14.24)	2.45	(5.15)	(0.62)	(2.95)

Financial Position of the Group	As At December 31				
	2015	2016	2017	2018	2019
	S$'000	S$'000	S$'000	S$'000	S$'000
Fixed assets	48,550	32,641	25,149	18,749	17,115
Investments	26,887	26,443	23,768	34,846	47,921
Current assets	97,187	37,452	20,345	24,031	7,555
Current liabilities	(152,648)	(79,603)	(70,682)	(70,531)	(50,267)
Net current liabilities	(55,461)	(42,151)	(50,337)	(46,500)	(42,712)
Non-current liabilities	(85,014)	(86,675)	(80,366)	(81,791)	(93,429)
	(65,038)	(69,742)	(81,786)	(74,696)	(71,105)
Represented by :					
Capital deficiency to owners of the Company	(65,038)	(69,742)	(81,786)	(74,696)	(71,105)
	(65,038)	(69,742)	(81,786)	(74,696)	(71,105)
Net liabilities value per ordinary share (cents) (note 1)	(16.26)	(17.44)	(20.45)	(18.67)	(17.78)

Notes :

(1) The earnings (loss) per ordinary share and the net liabilities value per ordinary share are calculated on the issued share capital of 400,000,000 shares.

(2) In December 2015 to 2019, there were no outstanding employees' share options.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Hsu Hung Chun | President
Hsu Cheng Chien | Managing Director
Lim Hock Beng | Independent Director
Lau Ping Sum, Pearce | Independent Director
Chew Heng Ching | Independent Director
Hsu Ming Hung | Executive Director

AUDIT COMMITTEE
Lim Hock Beng | Chairman
Lau Ping Sum, Pearce
Chew Heng Ching

NOMINATING COMMITTEE
Chew Heng Ching | Chairman
Lim Hock Beng
Lau Ping Sum, Pearce
Hsu Hung Chun

REMUNERATION COMMITTEE
Lau Ping Sum, Pearce | Chairman
Lim Hock Beng
Chew Heng Ching

COMPANY SECRETARY
Han Tock Mui Kelly
(appointed on March 1, 2016)

AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2,
#33-00, Singapore 068809
Partner-in-charge:
Lim Bee Hui
(appointed on April 25, 2018)

REGISTERED OFFICE
77 Robinson Road,
#13-00 Robinson 77, Singapore 068896
Tel: (65) 6500 6400
Fax: (65) 6438 6221

COMPANY REGISTRATION NUMBER
199509142R

REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6438 8710

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Huan Hsin Holdings Ltd (the "Company") and together with its subsidiaries (the "Group") is committed to high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2018 (the "Code").

This report outlines the Company's corporate governance framework with specific reference to the Code. In the opinion of the Board the Company is generally in compliance with the principles and provisions as set out in the Code and the Guide. Appropriate explanations have been provided in relevant sections where there are deviations.

(A) BOARD MATTERS

Principle 1: The Board's conduct of affairs

The Board of Directors has six members comprising three executive directors and three independent non-executives directors, as follows:

Director	Designation	Appointment Date	Last Re-election Date
Hsu Hung Chun	President	December 26, 1995	April 25, 2018
Hsu Cheng Chien	Managing Director	December 26, 1995	April 28, 2017
Lim Hock Beng	Independent Director	May 16, 1997	April 25, 2018
Lau Ping Sum, Pearce	Independent Director	May 28, 1997	April 24, 2019
Chew Heng Ching	Independent Director	August 25, 2004	April 25, 2016
Hsu Ming Hung	Executive Director	May 28, 1997	April 24, 2019

The Board has overall responsibility for and oversees corporate governance, strategic planning and major investments of the Company. Apart from its fiduciary duties and statutory responsibilities, the principal functions of the Board are as follows: Provision 1.1

- Develop and guide the corporate strategy and direction of the Group. The Board shall review the plan in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business and business practices in the industry.
- Review and approve the Company's annual business, capital plans such as investments and divestments as well as policies and processes generated by Management.
- Oversee the business and affairs of the Group, establish with Management, the strategies and financial objectives and monitor the performance of Management.
- Ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board reviews annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.
- Implement a process to be carried out by the Nominating Committee ("NC") for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.
- Approve the nomination and remuneration of board members.
- Assume responsibility for good corporate governance.
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members exercise due diligence and independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct. All Directors are fiduciaries who act objectively in the best interests of the Company when discharging their duties and responsibilities at all times and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Directors facing conflict of interest will recuse themselves from discussions and abstaining from voting, on any matter in which they are interested or conflicted. Provision 1.1

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve efficiently on and contribute to the Board. The Company endorses the Singapore Institute of Directors ("**SID**") training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant trainings organised by the SID or any other organisation which provides relevant training courses for directors. The cost of such training will be borne by the Company. Provision 1.2

The Company will arrange for all newly appointed directors to meet with the Company's management to familiarise themselves with the business, operations, organisation structure, strategic directions of the Group and governance practices of the Company and its subsidiaries. There are update sessions to inform the newly appointed Directors on new legislation and/or regulations that are relevant to the Group. Newly appointed Directors will be provided a formal letter setting out their duties and obligations as Director. No new Director was appointed to the Board in financial year ended December 31, 2019 ("FY2019").

Existing directors of the Company are encouraged to participate in seminars and/or briefing sessions to be kept abreast of latest developments, such as regulatory changes which applicable to the Group.

While the Directors have not attended any external trainings for FY2019, briefings and updates for the Directors include:

- The independent auditors had briefed the AC on changes or amendments to accounting standards; and
- The Company Secretary has briefed the Board on regulatory changes, such as changes to the Companies Act and/or the SGX-ST Listing Manual; and
- The Executive Director briefed the Board on the business activities and updates of the Group.

The Board decides on matters that require its approval and clearly communicates this to Management in writing and has identified a number of areas for which the Board has direct responsibility for decision-making. Matters which are specifically reserved for the decision of the entire Board include: Provision 1.3

- Approval of quarterly results announcements, annual reports and audited financial statements;
- Convening of shareholders' meetings;
- Group strategy, business plan and annual budget;
- Material acquisition and disposal of assets;
- Capital-related matters including financial re-structure, market fund-raising;
- Share issuances, dividends release or changes in capital;
- Material interested person transactions; and
- Any investment or expenditures.

While matters relating to the Group's objectives, strategies and policies require the Board's decision and approval, Management is responsible for the day-to-day operation and administration of the Group.

To assist the Board in executing its duties, the Board has delegated specific functions to the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (together "Board Committees" and each a "Board Committee"). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members. All the Board Committees are actively engaged and played an important role in ensuring good corporate governance in the Company and within the Group. A summary of the activities of the AC, the NC and the RC during FY2019 are also included within this report. Provision 1.4

The schedule of all the Board and the Board Committee meetings for the financial year is usually given to all the Directors well in advance. The Board has held meetings for particular and specific matters as and when the need arises. The Company's Constitution allows Board meetings to be conducted by means of telephone or similar communications equipment (which may include video conference). Provision 1.5

The number of the Board and Board Committees meetings held and the attendance of each Board member is set out as follows:

	General Meeting		**Board Meeting**		**Audit Committee Meeting**		**Remuneration Committee Meeting**		**Nominating Committee Meeting**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Hsu Hung Chun	1	1	4	4	–	–	–	–	1	1
Hsu Cheng Chien	1	1	4	4	–	–	–	–	–	–
Lim Hock Beng	1	1	4	4	4	4	1	1	1	1
Lau Ping Sum, Pearce	1	1	4	4	4	4	1	1	1	1
Chew Heng Ching	1	1	4	4	4	4	1	1	1	1
Hsu Ming Hung	1	1	4	3	–	–	–	–	–	–

Sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. *Ad hoc* meetings will be convened to deliberate on urgent substantive matters when necessary. Provision 1.6

All directors are provided with the agenda and a set of Board papers five days prior to the Board meeting. These are issued in sufficient time to enable the Directors to better understand the matters to be discussed and to have sufficient time to obtain further explanations where necessary, to ensure that they are adequately informed for the Board meeting. The Company fully recognises that the continual flow of relevant information on an accurate and timely basis is critical for the Board to be effective in discharging its duties.

The Directors have separate and independent access to the Management, and the Company Secretary at all times in carrying out their duties. The appointment and removal of the company secretary are subject to the approval of the Board. Provision 1.7

The Board also takes independent professional advice as and when necessary to enable them to discharge their responsibilities effectively. The Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the Company's expense.

Principle 2: Board Composition and Guidance

The Board presently comprises six Directors, three of whom are Executive Directors and three of whom are Independent non-executive Directors. Provisions 2.1

The NC, which reviews the independence of each Director on an annual basis, adopts the Code's definition of what constitutes an Independent Director. Each Independent Director is required to complete a Confirmation of Independence Statement annually based on the guidelines as set out in the 2018 Code. None of the Independent Directors has a relationship with the Company, its related corporations, its substantial shareholders (holding 5% or more of the shares) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

All the Independent Directors have served beyond nine years and they shall continue to hold the position of Independent Director of the Company. In addition, these long serving directors are very familiar with the Company's history and the Group's businesses.

The NC considered that all the Independent Directors continued to demonstrate a strong spirit of professionalism, independence of conduct at the Board and Board Committee meetings. They have been consistent and diligent in discharging their duties and exercise sound independent business judgment in the deliberation for the best interest of the Company and objectivity which did not diminish over time. The length of their services on the Board didn't affect their independence from the Management and the Board as they continue to express their independent views and debate the issues in the Meetings.

In view of the above, the NC confirms that all the Independent Directors continue to be independent notwithstanding each of them having served beyond nine years.

The Board is concurred with the NC and satisfied as to the performance and continued independence of judgement of each of the Independent Director.

The Chairman of the Board is not an Independent Director as he and the Chief Executive Officer ("CEO") of the Company are brothers, hence he is deemed not independent under the Listing Rules. The Independent Directors do not make up a majority of the Board. As such, this Provision is not met as independent directors currently only made up half of the Board. Provision 2.2

While independent directors do not make up a majority of the Board, there had been no domination of the Board's discussions or decision-making by any individual or small group of individuals. Being fiduciaries, each Board member is required to discharge their duties and responsibilities objectively in the best interests of the Company at all times, and in the process of doing so, each Board member will exercise his own independent judgement. Thus, it is the opinion of the Board that the decision-making process of the Board had remained independent, and was not unduly influenced by any single individual or small group of individuals. In addition, considering the contributions made by each of the executive directors, the Board does not consider it to be in the interests of the Company to require one or more of the executive directors to step down, or to appoint more independent directors, just to attain a level of majority of the Board being independent.

Non-executive directors do not make up a majority of the Board. As such, this Provision is not met as non-executive directors currently made up half of the Board's membership. The explanation was provided in Provision 2.2 above. Provision 2.3

The Directors consider that the Board's present size of 6 members is of the appropriate size and presently a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and its Board Committees comprise of directors who as a group provide the appropriate balance and mix of skills, experience and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge to enable the Board to make sound and well-considered decisions. Provision 2.4

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed on the strength of his calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company.

The Independent Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to review any matters that must be raised privately before providing feedback to the Board and/or the Chairman as appropriate. For FY2019, the Independent Directors have met once in the absence of key management personnel. Provision 2.5

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business with clearly defined lines of responsibility between the Board and executive functions of the management of the Group's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of the performance of the executive management on a periodic basis.

The Chairman's and the CEO's roles are separate to ensure an appropriate balance and separation of power and increased accountability, and greater capacity of the Board during decision making. Mr Hsu Hung Chun, the President and founder of the Group, assumes the role of Chairman of the Board while his brother, Mr Hsu Cheng Chien, the Managing Director, assumes the role of CEO of the Company. Provision 3.1

As the Chairman, Mr Hsu Hung Chun is primarily responsible for the orderly conduct and working of the Board, ensuring the integrity and effectiveness of its governance process. The Chairman's role includes: Provision 3.2

- lead the Board to ensure its effectiveness on all aspects of its role;
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and debate at the Board;
- ensure that the Directors receive complete, adequate and timely information;
- ensure effective communication with Shareholders;
- encourage constructive relations within the Board and between the Board and Management;
- facilitate the effective contribution of Directors, in particular, non-executive Directors; and
- promote high standards of corporate governance.

The CEO, Mr Hsu Cheng Chien's responsibility includes overseeing day-to-day and overall operations of the business and the implementation of the Board's strategies and policies.

The Board has appointed Mr Lim Hock Beng, as the Lead Independent Director, and he is also the Chairman of the Audit Committee. He will be available to address shareholders' concerns when contact through the normal channels of the Chairman, the CEO, or Management has failed to resolve or such contact is inappropriate. Provision 3.3

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The NC works in accordance with its own terms of reference in compliance with the Code that describes the responsibilities of the members. Amongst them, the NC is responsible for making recommendations to the Board on all Board appointments. Provision 4.1

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment and the re-appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are to make recommendations to the Board on relevant matters relating to:-

- the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- the process and criteria for evaluation of the performance of the Board, its board committees and directors especially those Directors with multiple board representations;
- the review of training and professional development programme for the Board and its directors; and
- the appointment and re-appointment of directors having regard to his/her requisite qualifications and competency and whether or not he/she is independent and in the case of a re-nomination, to his/her contribution and performance (e.g. attendance, preparedness, participation and candour);
- to determine, on an annual basis and/or when circumstances require, if a Director is independent bearing in mind the circumstances set forth in the Code and other salient factors. If the NC determines that a Director, who has one or more of the relationships mentioned therein can be considered independent, the Company should disclose in full the nature of the Director's relationship and bear responsibility for explaining why he/she should be considered independent. Conversely, the NC has the discretion to determine that a Director is not independent even if the said Director does not fall under the circumstances set forth in the Code;
- to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
- to assist the Board to implement a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board;
- to decide how the Board's performance may be evaluated and propose objective performance criteria. The Chairman of the NC would act on the results of the performance evaluation and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC;
- to provide a description of the process for the selection and appointment of new Directors to the Board. This should include disclosure on the search and nomination process;

Although the Company's Constitution allows the appointment of a maximum of 12 directors, the NC is of the view that the current board size of six directors is adequate, taking into consideration of the nature and the scope of the Group's operations.

The NC comprises the three Independent Directors as well as an Executive Director. The Board is of the view that the inclusion of an Executive Director in the NC would facilitate discussions at the NC meetings. The Lead Independent Director is also a member of the NC. The names of the members of the NC is as follows:- Provision 4.2

Mr Chew Heng Ching (Chairman)
Mr Hsu Hung Chun
Mr Lim Hock Beng
Mr Lau Ping Sum, Pearce

The NC is also responsible for identifying and nominating candidates for the approval of the Board when the need for a new director is identified, whether to fill board vacancies as and when they arise, or to enhance the Board's effectiveness and capabilities. Potential candidates can be identified from various sources, and may include suggestions by members of the Board or the Group's professional advisors. Provision 4.3

The NC also has the authority to engage recruitment consultants to assist it in the search and assessment process for potential candidates to join the Board. The potential candidates would be evaluated by the NC based on various criteria, including amongst others, their experience, professional qualifications, principal commitments, and personal attributes, before the NC submits its recommendation to the Board for approval.

In accordance with the Company's Constitution, one-third of the directors shall retire from office at each AGM and submit themselves for re-election at regular intervals of at least once every three years. If the Director retiring is a NC member, he must abstain from deliberating and voting on his own nomination for re-election.

For re-election of incumbent directors, the NC would also consider, amongst others, the incumbent directors' competencies, independence, participation, attendance and contributions. A new director can be appointed to the Board via a board resolution, and shall hold office until the first AGM after his appointment, during which he would have to submit himself for re-election.

The NC would generally avoid recommending to the Board the appointment of alternate director as it is of the view that alternate director should only be appointed under special circumstances, for example, when a Director has a medical emergency. If the appointment of an alternate Director is deemed necessary, the NC would ensure that the alternate Director is appropriately qualified, knows the duties and responsibilities of a Director, and is familiar with the Group's business affairs. No alternate director was appointed throughout FY2019.

Pursuant to Regulation 103, Messrs Hsu Cheng Chien and Chew Heng Ching shall retire at the forthcoming AGM by rotation. Being eligible, both Messrs Hsu Cheng Chien and Chew Heng Ching have offered themselves for re-election. The NC, having assessed their performance and contributions to the Company, and recommended their nomination for re-election. The Board concurred with the NC's recommendation.

As the NC has been charged with the responsibility of reviewing the independence of each and every Independent Director annually, the NC has adopted the Code's definition of what constitutes an Independent Director and established a process to determine a Director's independence. Once a year, after the end of the financial year under review, the Form of Declaration of Independence based on the guidelines as set out in the Code will be sent to the Independent Directors for their confirmation and declaration. They will have to consider if they satisfy the criteria of independence as stipulated in the Code. The duly signed Declaration Forms will then be tabled for the NC's review. In considering whether the Independent Director is Independent, the NC will not solely base its assessment on the Declaration Form but will also consider if each of the Independent Directors has exercised and can continue to exercise independent judgment. The NC will then present its conclusion to the Board for its concurrence. The NC will convene a meeting if circumstances arise to review the independence of an Independent Director in between the annual review. Provision 4.4

The Board, after taking into consideration the views of the NC, considers Messrs Lim Hock Beng, Lau Ping Sum, Pearce and Chew Heng Ching to be independent by virtue of the fact that each of the Director does not have any existing business and/or professional relationship whatsoever with the Group of Companies and its' officers who could possibly influence their objectivity in discharging their duty as an Independent Director of the Company.

Notwithstanding that some of our Directors may have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group. Provision 4.5

The NC, with the concurrence of the Board, has decided not to fix a limit on the number of board representations of each Director as it considers that the board representations presently held by its Directors do not impede the performance of their duties to the Company.

The detailed profiles of the Directors are set out on pages 6 to 7 of this Annual Report.

Principle 5: Board Performance

The Board has implemented a process carried out by the NC for assessing the effectiveness of the Board as a whole. The NC has evaluated and discussed the results of the Board's performance and effectiveness as a whole and that of each of its board committees and individual directors. All the Directors are requested to complete a comprehensive evaluation questionnaire with regard to board performance after each financial year. The aim of the questionnaire is to assess 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). Provision 5.1

The evaluation of the Board's performance as a whole deals with matters on Board composition, information flow to the Board, Board procedures and Board accountability. Factors such as the structure, size and processes of the Board and the Board's access to information, management and the effectiveness of the Board's oversight of the Company's performance are applied to evaluate the performance of the Board as a whole.

The evaluation of the performance of an individual Director deals with matters on an individual Director's attendance at meetings, observance of the individual Director's duties towards the Company and the individual Director's know-how and interaction with fellow Directors.

As part of the evaluation on process, each Director completes an evaluation on form, which is returned to the Company Secretary for compilation on of average scores. The compiled results are tabulated and tabled at the NC meeting for NC's review. The Chairman of the NC will then present the findings and recommendations of the NC to the Board. Provision 5.2

Based on the review, the NC was satisfied that the Board was effective as a whole and that each and every Director had demonstrated commitment and had contributed to the effective functioning of the Board and the Board Committees.

The Company did not engage any external consultant to facilitate the Board performance evaluation for FY2019.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The RC works in accordance with its own terms of reference in compliance with the Code that describes the responsibilities of the members. The principal function of the RC is to ensure that a formal and transparent procedure is in place for fixing the remuneration framework for the Board and key management personnel of the Group. Provision 6.1

The principal responsibilities of the RC are:

(i) to review and recommend to the Board in consultation with the Chairman of the Board and submit for endorsement by the Board, a framework of remuneration for the Board including determining the specific remuneration packages and terms of employment for each of the executive directors and key management personnel of the Group including those employees related to the executive directors and controlling shareholders of the Company.

(ii) to recommend to the Board in consultation with Management and the Chairman of the Board, the employees' share option schemes or any long term incentive schemes which may be set up from time to time and to do all acts in connection herewith.

(iii) to determine the remuneration of non-executive directors, which remuneration should be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors.

(iv) to review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

(v) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the Committee by the Board from time to time.

(vi) to prepare and submit an annual remuneration report which covers the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, the remuneration of directors, the CEO and at least the top five key management personnel who are not also directors or the CEO of the Company to the Board for disclosure in the Company's annual report.

The RC's considerations and recommendation for the fee of Independent Directors is dependent on the level of contribution, taking into account attendance, time spent, member of board committee and their respective responsibilities. The framework of Independent Directors had been endorsed by the entire Board, following which the recommendation is tabled for shareholders' approval at the Company's AGM. No member of the RC or the Board participated in the deliberation of his own remuneration.

The RC comprises the following three members, all of whom are independent: Provision 6.2

Mr Lau Ping Sum, Pearce (Chairman)
Mr Lim Hock Beng
Mr Chew Heng Ching

The RC considers all aspects of remuneration, namely, director's fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits and termination terms, to ensure that they are fair. The remuneration packages of the Executive Directors are based on their respective service agreements. The service agreements of the Executive Directors are for a period of not longer than three years, and the remuneration packages are fair, linking rewards with performance. Provision 6.3

The RC reviews the terms and conditions of service agreements of the Executive Directors before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of these service agreements, to ensure that such agreements contain fair and reasonable termination clauses and are not overly generous.

No independent consultant is engaged for advising on the remuneration of all Directors and key management personnel. Provision 6.4

Principle 7: Level and Mix Remuneration

In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a significant and appropriate proportion of executive compensation to the individual's and the Group's performance. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for compensation to be symmetric with risk outcomes and the time horizon of risks. In assessing the Executive Directors' and key management personnel's performance, the RC considers appropriate and meaningful measures and also align them with the interests of shareholders and other stakeholders and promote the long-term success of the Company. Provision 7.1

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Company does not have any employee share option scheme and other long-term incentive scheme for directors and employees of the Group.

Further, in considering whether the compensation is appropriate for Independent Directors, the RC takes into account factors such as effort and time spent, and responsibilities of the Directors; and the principal that Independent Directors should not be over-compensated to the extent that their independence might be compromised. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. Provision 7.2

The RC also has to ensure that the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and the Group and key management personnel to successfully manage the Company for the long-term. Provision 7.3

Principle 8: Disclosure on Remuneration

For FY2019, the details of the annual remuneration of the Directors and Top 2 key management are as follows:

Directors	Salary %	Bonus %	Director Fees %	Total %	Total S$
Hsu Hung Chun	90	10	–	100	363,102
Hsu Cheng Chien	90	10	–	100	363,102
Lim Hock Beng	–	–	100	100	56,000
Lau Ping Sum, Pearce	–	–	100	100	56,000
Chew Heng Ching	–	–	100	100	56,000
Hsu Ming Hung	91	9	–	100	68,660

Key executives	Salary %	Bonus %	Total %	Remuneration Band
Lu To Jen	93	7	100	Below S$150,000
Chang Shih Hsing	93	7	100	Below S$150,000

For FY2019, the Group only has two top key executives. In view of the disadvantages to the Group's business interest, highly competitive human resource environment and confidentiality reasons, the Company has decided not to disclose information on the actual remuneration figures of these top two key executives. Provision 8.1

The aggregate total remuneration paid to the top two key management personnel (who are not directors or the CEO) for FY2019 is approximately S$159,000.

For FY2019, there was no termination, retirement and post-employment benefits granted to the Directors (including the CEO) and the top two key management personnel.

Immediate family members of Directors or CEO Provision 8.2

The following are immediate family members of Directors or CEO in employment with the Group and whose remuneration in the band not wider than S$100,000 during the financial year ended December 31, 2019:

Employee	Salary %	Bonus %	Total %	Remuneration Band
Hsu Ming Chang – brother of Hsu Ming Hung	93	7	100	S$50,000 – S$100,000
Yang Yu Lin – wife of Hsu Cheng Chien	93	7	100	S$50,000 – S$100,000

The Company does not adopt any Employee Share Options or Share Schemes. Provision 8.3

ACCOUNTABILITY AND AUDIT

Principle 9: Risk management and internal controls

The Board recognises the importance of sound internal controls and risk management practices to safeguard the interests of the Company and its shareholders. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management. During the year, the AC, on behalf of the Board and through the assistance of internal and external auditors, had reviewed the effectiveness of the Group's material internal control systems, including financial, operational, compliance and information technology controls, as well as risk management policies and systems. The process used by the AC to monitor and review the effectiveness of the system of internal controls and risk management includes:- Provision 9.1

- ensures that Management maintains a sound systems of risk management to safeguard shareholders' interests and the Group's assets;
- determines the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective and value creation;
- determines the Company's levels of risk tolerance and risk policies;
- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and
- reviews annually the adequacy and effectiveness of the risk management and internal control systems.

The Group faces a variety of risks including risks from the industry and geographic region in which it operates. The effective management of risks enhances the Company's ability to achieve its financial and operational goals, and to meet its legal and compliance responsibilities, thereby protecting shareholder value. The Company's commitment is to manage the business risks to an acceptable level, so as to maximise opportunities and minimise negative outcomes. It should however be noted that the Company's risk management systems are designed to manage rather than to eliminate the risk. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against risks. Provision 9.1

For the FY2019, the Board has received assurance from:- Provision 9.2

(a) the CEO and the Head of Finance of the Company that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(b) the CEO and other key management personnel who are responsible that the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

Principle 10: Audit Committee

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of its members. During the financial year, the AC met at least four times to perform its functions and responsibilities as set out in its terms of reference, which included the following: Provision 10.1

- to review with the external auditors:

  (a) the audit plan, including the nature and scope of the audit before the audit commences;
  (b) their evaluation of the system of internal accounting controls;
  (c) their audit report; and
  (d) their management letter and Management's response.

- to ensure co-ordination where more than one audit firm is involved;
- to review all formal announcements relating to the Company's financial performance and the quarterly and annual financial statements to ensure the integrity of the said financial statements and formal announcements; and thereafter to submit them to the Board for approval. The AC also focus, inter alia, on the following:

  (a) significant financial reporting issues and judgements;
  (b) changes in accounting policies and practices;
  (c) major risk areas;
  (d) significant adjustments resulting from the audit;
  (e) the going-concern statement;
  (f) compliance with accounting standards;
  (g) audit qualifications (if any);
  (h) concerns and issues arising from the audits; and
  (i) compliance with stock exchange and statutory/regulatory requirements.

- to discuss problems and concerns, if any, arising from the quarterly, half-year and final audits, in consultation with the external auditors and the internal auditors where necessary;
- to meet with the external auditors and internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The external auditors have the right to appear and be heard at any meeting of the AC and shall appear before the AC when required to do so by the AC;
- to review the assistance given by Management to the external auditors;
- to review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide a substantial volume of non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- to review the internal audit programme and ensure co-ordination between the internal and external auditors and the Management;
- to review the effectiveness of the internal audit function, the scope and results of the internal audit procedures and to ensure that the internal audit function has adequate resources and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;
- to recommend to the Board if the internal audit function be undertaken in-house or out-sourced to a reputable public accounting/auditing firm. If the public accountant is also the external auditor of the Company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the Company;

- to review the adequacy of the Company's internal controls. The Code states that the AC should review the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls established by the Management (collectively "internal controls"). The AC would ensure a review on the adequacy, effectiveness, independence, scope and results of the Company's internal controls is conducted at least annually;
- to review the assurance from the CEO and the CFO on the financial records and financial statements;
- to review the audited (consolidated) financial statements of the Company, and thereafter to submit to the Board;
- to review all internal audit reports. The internal auditor's primary line of reporting should be to the Chairman of the AC;
- to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have an impact on the Company's and Group's operating results or financial position. To also discuss the above with the external auditors and to review Management's response;
- to investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and with reasonable resources to enable it to discharge its functions properly;
- to review arrangements by which employees of the Company, its subsidiaries, and associates may, in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;
- to report to the Board its findings from time to time on matters arising and requiring the attention of the AC. In addition, upon the request of the auditor, the Chairman of the AC shall convene a meeting of the AC to consider any matters the auditor believes should be brought to the attention of the Directors or Shareholders;
- to recommend to the Board the appointment, re-appointment, removal and matters arising from the resignation of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- to review all other existing and future IPTs not having been approved by the Shareholders to ensure that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and minority Shareholders;
- to review all IPTs to ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST;
- where appropriate, to update the SGX-ST on any findings of the independent accounting firm commissioned to review the adequacy of the Group's existing system of internal controls relating to IPT review procedures, and any follow up action taken by the AC, if any;
- to review the payment terms for IPTs (not previously approved by the Shareholders) on a quarterly basis;
- to review IPTs, including but not restricted to, comment in annual report as to whether the IPTs are conducted in accordance with the review procedures;
- to review any potential conflict of interest;
- to review the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of the Group;
- to review the reporting structure relating to the Group's accounting function and conduct semi-annual meetings with the Head of Finance to ensure that the Head of Finance is able to discharge his responsibilities effectively;
- to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- to undertake generally such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the guidance.

The AC shall also review, implement and administer the Group's Whistle-Blowing Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible improprieties in matters of financial reporting or other matters that could have a large impact on the Company and is authorised to do such acts as are necessary to ensure, *inter alia*, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to prevent recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriate, balanced and fair.

The AC has reviewed the audit and non-audit services provided by the external auditors, which comprise tax and sustainability advisory support services. The aggregate fees paid to the external auditors comprise fees for audit and tax and advisory services and amount to S$173,000 and S$30,000 respectively. The AC is of the opinion that the independence of the auditors has not been affected by the provision of the non-audit services. The external auditors had affirmed their independence in this respect. The AC is satisfied that the independence of the external auditors has not been impaired. Further, it was noted that the appointment of the external auditors for the Company and its subsidiaries are in compliance with Rules 712 and 715 of the SGX-ST Listing manual. The AC recommended that Messrs Deloitte & Touche LLP be nominated for re-appointment as the external auditors for the financial year ending December 31, 2020 at the forthcoming AGM.

The AC comprises the three members, all of whom are independent: Provision 10.2

Mr Lim Hock Beng (Chairman)
Mr Lau Ping Sum
Mr Chew Heng Ching

The Board considers Mr Lim Hock Beng, who has extensive and practical accounting and financial management expertise or experience, is well qualified to chair the AC. Mr Lau Ping Sum and Mr Chew Heng Ching, members of the AC are equipped with sufficient accounting or related financial management expertise and experiences to discharge the AC's function. As and when necessary or appropriate, the Company will engage external professionals to assist the AC.

No former partner or director of the Company's existing auditing firm or auditing corporation has acted as a member of the Company's AC: (a) within a period of two years commencing on the date of his/her ceasing to be a Partner of the auditing firm or Director of the auditing corporation; and in any case (b) for as long as he/she has any financial interest auditing firm or auditing corporation. Provision 10.3

The internal audit function is currently outsourced to Nexia TS Risk Advisory Pte. Ltd. ("Nexia TS") as the internal auditors of the Group. Nexia TS primarily reports to the AC Chairman. Provision 10.4

The internal auditors carried out their function in accordance to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly.

To ensure the adequacy of the internal audit function, the AC reviews and approves, on an annual basis, the internal audit plans and the resources required to adequately perform this function.

The AC is satisfied that Nexia TS is effective, independent and adequately resourced with the relevant qualifications and experience as Nexia TS is able to discharge its duties effectively as the internal auditor has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC. The AC also satisfied that the internal audit function is stated by suitably qualified and experienced professionals with the relevant experience.

The Company has developed a Whistle-Blowing policy. This policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. There was no Whistle-Blowing report received during the financial year.

During the financial year, AC met once with the external auditors, without the presence of the management to discuss, amongst others, audit finding and evaluations of the Group's internal controls. Where warranted, the AC shall meet with the internal auditors without the presence of Management to review any matters that may arise. Provision 10.5

(D) SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

All shareholders are encouraged to attend the AGM and stay informed of the Company's strategy and goals. All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is also announced through SGXNET and published in the Business Times during the same period. Provision 11.1

The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.

In accordance with Rule 730A(2) of the Listing Manual for greater transparency in the voting process, the Company has conducted the voting of all its resolutions by poll at all of its general meetings. The detailed voting results for and against each of the resolutions tabled including the total number of votes casted, are announced on the SGXNET on the same day after the meetings.

Separate resolutions are proposed at general meetings for approval for each substantially separate issue. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. Provision 11.2

All Directors are present and available to address shareholders' questions. In addition, the Company's external auditors, Deloitte & Touche LLP have also been invited to attend the AGM to assist the Directors in addressing the shareholders' queries relating to the conduct of the audit and the preparation and content of the Auditors' Report. Provision 11.3

A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or two proxies (who can either be named individuals nominated by the Shareholder to attend, participate and vote on their behalf at the meeting or the Chairman of the meeting as the Shareholder may so select). Corporations providing nominee and custodial services may also appoint more than two proxies to attend, participate and vote in general meetings on behalf of shareholders who hold shares through such corporations. Provision 11.4

Subject to compliances to any relevant laws or regulations and the demand for voting *in absentia*, such as by mail, e-mail or fax, etc., the Company may evaluate the possibility of such voting method. In connection with such evaluation, careful study will have to be undertaken to ensure the integrity of the information and the authentication of the identity of members through the web is not compromised.

Questions, comments received from shareholders and responses from the Board and Management were recorded in the minutes of general meetings. The Company does not publish minutes of general meetings of shareholders on SGXNET as the Company is of the view that minutes of general meeting is an internal document and should only be made available to its shareholders but not to the public at large. Shareholders of the Company, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of the minutes of general meetings upon request in accordance with the statutory requirement under Section 189 of the Companies Act, Cap.50. Provision 11.5

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial year will make appropriate recommendation to the Board. Any dividend declaration will be communicated to the shareholders via announcement through SGXNET. The Board does not recommend any dividend for FY2019 in view of the financial position of the Group. Provision 11.6

Principle 12: Engagement with Shareholders

The Annual General Meeting of the Company is the principal platform for dialogue and interaction with all shareholders to gather views or inputs, and address their concerns. The Board welcome shareholders to voice their views or ask the Board questions regarding the Company and the Group. Provision 12.1

Information is also disseminated / made available to shareholders through:
(i) SGXNet announcements and news releases; and
(ii) Annual Reports.

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis and other ad hoc announcements as required by the SGX-ST. In addition to the regular dissemination of information through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. Provision 12.2

The Company does not practise selective disclosure as all price-sensitive information is disclosed in a comprehensive, accurate and timely manner via SGXNET. Provision 12.3

The Company has a corporate communication and investor relation executive, who communicates with its investors on a regular basis and attends to their queries. Any queries and concerns regarding the Group can be conveyed to the following person:

Mr Stephen Yong Sooi Seong
Investor Relations Manager
E-mail: ssyong77@gmail.com

The Company believes that all these accesses to information will facilitate the Shareholders in their exercise of their ownership rights.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Company has appropriate channels in place to identify and engage with its key stakeholder groups. The Company recognises the importance of understanding the Group's businesses and regular interactions with key stakeholders to determine material issues for the Group's businesses. Provision 13.1

The Executive Directors and Investor Relationship Manager meet with investors, suppliers, customers, employees and analysts and attend relevant investor roadshows regularly to gather feedback and understand their views on the Company. Provision 13.2

The Company currently does not have a corporate website to communicate and engage with stakeholders. But the Company do have a corporate communication and investor relation executive, who communicates with its investors and stakeholders on a regular basis and attends to their queries. Provision 13.3

Dealing in the Company's Securities Rule 1207(19) of the Listing Manual of the SGX-ST

The Company has adopted its own internal Code of Best Practices on Securities Transactions ("Securities Transaction Code"). The Securities Transaction Code provides guidance to the directors and key employees of the Group with regard to dealing in the Company's shares. It emphasises that the law on insider trading is applicable at all times notwithstanding the window periods for dealing in the shares. The Securities Transaction Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares. The Company issues circulars to its directors, executives and employees that they must not trade in the listed securities of the Company two weeks before the release of the quarterly results and one month before the release of the year-end financial results.

For financial year ended December 31, 2019 the Company has complied with the requirements of Rule 1207(19) of the Listing Manual of the SGX-ST, which states that an officer should not deal in his company's securities on short-term considerations.

Material Contracts Rule 1207(8) of the Listing Manual of the SGX-ST

No material contracts to which the Company or any of its related companies are party involving the interest of the directors or controlling shareholders subsisted at, or have been entered into since the previous financial year.

Interested Person Transaction ("IPT")

Rule 1207(17) of the Listing Manual of the SGX-ST

Transactions with interested person, who is a director, chief executive officer and controlling shareholders, during the financial year as follow:

Interested persons	Nature of transaction	2019 S$'000	2018 S$'000
Hsu Hung Chun/Hsu Cheng Chien	Rental expense	70	71
Hsu Hung Chun/Hsu Cheng Chien/Hsu Ming Hung	Sale and other income	9	8
Hsu Hung Chun/Hsu Cheng Chien/Hsu Ming Hung	Rental income	118	103

Sustainability Reporting *The Company's sustainability report was made available to the shareholders and the public on 29 May 2020 via the SGXNE*T.	Rule 711A-711B of the Listing Manual of the SGX-ST

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 37 to 101 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 December 31, 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, with the continued financial support from directors, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Mr Hsu Hung Chun
Mr Hsu Cheng Chien
Mr Lim Hock Beng
Mr Lau Ping Sum, Pearce
Mr Hsu Ming Hung
Mr Chew Heng Ching

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors		**Shareholdings in which directors are deemed to have an interest**	
The Company – Ordinary shares	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Mr Hsu Hung Chun	–	–	75,712,234	75,712,234
Mr Hsu Cheng Chien	500,000	500,000	75,712,233	75,712,233
Mr Hsu Ming Hung	750,000	750,000	–	–

By virtue of Section 7 of the Singapore Companies' Act, Messrs Hsu Hung Chun and Hsu Cheng Chien are deemed to have interests in all the related corporations of the Company.

The directors' interests in the shares of the Company as at January 21, 2020 were the same as at December 31, 2019.

4 SHARE OPTIONS

(a) ***Options to take up unissued shares***

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) ***Options exercised***

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) ***Unissued shares under option***

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Lim Hock Beng, an independent director, and includes Mr Lau Ping Sum, Pearce and Mr Chew Heng Ching, both of whom are independent directors. The Audit Committee has met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

(a) the audit plan of the internal and external auditors, the scope of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) to review the annual financial statements, and quarterly announcements before submission to the Board of Directors for approval;

(d) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

(e) to ensure that the internal audit function is adequately resourced;

(f) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;

(g) to consider and make recommendation on the re-appointment of the external auditors; and

(h) to review Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

The Audit Committee has reviewed the independence of Deloitte & Touche LLP including the value of non-audit services supplied by Deloitte & Touche LLP and is satisfied of Deloitte & Touche LLP's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

5 AUDIT COMMITTEE (CONT'D)

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

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Hsu Hung Chun

....
Hsu Cheng Chien

June 12, 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Huan Hsin Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 101.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2019, the Group reported a net current liabilities of $42,712,000 (2018 : $46,500,000) and the Group's capital deficiency amounted to $71,105,000 (2018 : $74,696,000), and the Group recorded loss for the year of $11,810,000 (2018 : $2,468,000). The ability of the Group and Company to continue as a going concern is highly dependent on the continued financial support from the directors.

These events or conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as going concern. Our opinion is not modified in respect of this matter.

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 year. 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Key Audit Matters

Valuation of financial assets at fair value through other comprehensive income

As at December 31, 2019, the Group's financial assets at fair value through other comprehensive income ("FVTOCI") amounted to S$47,247,000, representing 65% of the Group's total assets. The financial assets at FVTOCI balance comprise unquoted equity shares stated at fair value, determined by independent professional external valuer.

The valuation of unquoted equity shares involves significant judgement in determining the appropriate valuation methods and use of subjective assumptions. The valuation is sensitive to underlying assumptions applied by the valuer such as market comparables used and liquidity reduction factor and may have a significant impact to the valuation.

The key judgement and estimation on the valuation of financial assets at FVTOCI is disclosed in note 4(c)(vi) to the financial statements, and further information related to financial assets at FVTOCI is provided in Note 12 to the financial statements.

How the matter was addressed in the audit

Our audit procedures includes:

- Obtained an understanding of the relevant controls and processes that management has in place in respect of valuation of unquoted equity shares;
- Obtained the external valuation report and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuer;
- Discussed with the external valuer to obtain understanding of their work performed on the unquoted equity shares covering amongst others, the valuation methodology and the appropriateness of assumptions applied;
- Independently assessed the key assumptions against the data available in the market.

In addition, we have evaluated the adequacy and appropriateness of the disclosures in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)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.

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

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

Auditor's Responsibilities for the Audit of 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(a) 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.

(b) 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.

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) 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.

(f) 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 year 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 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 Lim Bee Hui.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

June 12, 2020

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and bank balances	6	2,074	6,439	33	36
Trade receivables	7	1,725	3,588	–	–
Other receivables, deposits and prepayments	8	1,468	10,515	102	101
Inventories	9	2,288	3,489	–	–
Total current assets		7,555	24,031	135	137
Non-current assets					
Associate	10	674	759	–	–
Subsidiaries	11	–	–	–	–
Financial assets at fair value through other comprehensive income	12	47,247	34,087	–	–
Right-of-use assets	13	4,494	–	–	–
Land use rights	14	–	4,278	–	–
Property, plant and equipment	15	12,621	14,471	–	–
Total non-current assets		65,036	53,595	–	–
Total assets		72,591	77,626	135	137
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	1,907	4,213	–	–
Other payables and accruals	17	26,088	24,045	11	11
Borrowings	18	22,005	42,071	–	–
Lease liabilities	19	70	–	–	–
Income tax payable		197	202	–	–
Total current liabilities		50,267	70,531	11	11
Non-current liabilities					
Borrowings	18	93,129	81,791	–	–
Lease liabilities	19	300	–	–	–
Total non-current liabilities		93,429	81,791	–	–
Capital, reserves and non-controlling interests					
Share capital	20	151,097	151,097	151,097	151,097
Capital reserve	21	54,955	54,772	–	–
Translation reserves		(16,222)	(18,463)	1,002	1,005
Legal reserves	21	25,209	30,356	–	–
Fair value reserves	22	22,813	9,653	–	–
Accumulated losses		(308,957)	(302,111)	(151,975)	(151,976)
(Capital deficiency) Equity attributable to owners of the Company		(71,105)	(74,696)	124	126
Total liabilities (net of capital deficiency) and equity		72,591	77,626	135	137

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	23	11,194	15,747
Other operating income	24	4,065	15,111
Changes in inventories of finished goods and work-in-progress		(705)	(907)
Raw materials and consumables used		(5,467)	(7,389)
Impairment losses		(52)	(93)
Employee benefits expenses	25	(6,388)	(9,587)
Depreciation and amortisation expense	13, 14 & 15	(1,693)	(2,277)
Other operating expenses		(9,139)	(9,966)
Share of (loss) profit of associate		(67)	4
Finance costs	26	(3,547)	(3,504)
Loss before income tax	27	(11,799)	(2,861)
Income tax (expense) credit	28	(11)	393
Loss for the year, representing loss attributable to owners of the Company		(11,810)	(2,468)
Loss per share (cents):			
Basic and fully diluted	29	(2.95)	(0.62)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000
Loss for the year		(11,810)	(2,468)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain on investments in equity instruments designated as at FVTOCI	22	13,160	1,996
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		2,241	(1,079)
		15,401	917
Total comprehensive income (loss) for the year, representing total comprehensive income (loss) attributable to owners of the Company		3,591	(1,551)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Share capital $'000	Capital reserve $'000	Translation reserves $'000	Legal reserves $'000	Fair value reserves $'000	Accumulated losses $'000	Total $'000
Group							
Balance as at January 1, 2018	151,097	54,772	(17,384)	30,356	7,657	(299,643)	(73,145)
Total comprehensive (loss) income for the year:							
– Loss for the year	–	–	–	–	–	(2,468)	(2,468)
– Other comprehensive (loss) income for the year	–	–	(1,079)	–	1,996	–	917
Total	–	–	(1,079)	–	1,996	(2,468)	(1,551)
Balance at December 31, 2018	151,097	54,772	(18,463)	30,356	9,653	(302,111)	(74,696)
Total comprehensive (loss) income for the year:							
– Loss for the year	–	–	–	–	–	(11,810)	(11,810)
– Other comprehensive income for the year	–	–	2,241	–	13,160	–	15,401
Total	–	–	2,241	–	13,160	(11,810)	3,591
Transactions with owners, recognised directly in equity							
Struck off of subsidiaries	–	183	–	(5,147)	–	4,964	–
Total	–	183	–	(5,147)	–	4,964	–
Balance at December 31, 2019	151,097	54,955	(16,222)	25,209	22,813	(308,957)	(71,105)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Share capital $'000	Translation reserves $'000	Accumulated losses $'000	Total $'000
Company				
Balance at January 1, 2018	151,097	1,009	(152,080)	26
Total comprehensive income (loss) for the year:				
– Profit for the year	–	–	104	104
– Other comprehensive loss for the year	–	(4)	–	(4)
Total	–	(4)	104	100
Balance at December 31, 2018	151,097	1,005	(151,976)	126
Total comprehensive income (loss) for the year:				
– Profit for the year	–	–	1	1
– Other comprehensive loss for the year	–	(3)	–	(3)
Total	–	(3)	1	(2)
Balance at December 31, 2019	151,097	1,002	(151,975)	124

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Group	
	2019	2018
	$'000	$'000
Operating activities		
Loss before income tax	(11,799)	(2,861)
Adjustments for:		
Share of loss (profit) of associate	67	(4)
Loss on struck off of subsidiaries	2,331	–
Impairment loss on property, plant and equipment	52	93
Depreciation of property, plant and equipment	1,490	2,140
Depreciation of right-of-use assets	203	–
Amortisation of land use rights	–	137
Gain on disposal of property, plant and equipment and land use rights	(9)	(11,274)
Loss allowance, net of trade debts	111	881
Loss allowance, net of non-trade debts	7	314
Allowance for inventories obsolescence	74	178
Waiver of trade payables due from outside party	–	(793)
Interest expense	3,547	3,504
Interest income	(41)	(217)
Dividend income	–	(216)
Operating cash flows before movements in working capital	(3,967)	(8,118)
Trade receivables	1,700	3,827
Other receivables, deposits and prepayment	211	112
Inventories	1,034	285
Trade payables	(2,211)	(1,391)
Other payables	(2,823)	(1,003)
Cash used in operations	(6,056)	(6,288)
Income tax paid	(16)	(10)
Interest paid	–	(3,504)
Interest received	41	217
Net cash used in operating activities	(6,031)	(9,585)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2019

	Group	
	2019	2018
	$'000	$'000
Investing activities		
Additions to property, plant and equipment	(44)	(144)
Additions to land use rights	–	(305)
Proceeds from disposal of property, plant and equipment and land use rights **(Note A)**	8,569	10,139
Dividend income received	–	216
Net cash from investing activities	8,525	9,906
Financing activities		
Repayment of lease liabilities	(164)	–
Repayment of short-term bank loans	–	(251)
Proceeds from other loans payable	–	10,989
Repayment of other loans payable	(6,825)	(7,044)
Restricted cash	–	14
Net cash (used in) from financing activities	(6,989)	3,708
Net (decrease) increase in cash and cash equivalents	(4,495)	4,029
Cash and cash equivalents at beginning of financial year	6,406	2,365
Effects of exchange rate changes on the balance of cash held in foreign currencies	130	12
Cash and cash equivalents at end of financial year (Note 6)	2,041	6,406

Note A:

In 2018, the Group disposed property, plant and equipment with proceeds of $19,238,000. Out of the proceeds, $9,156,000 remained outstanding as of December 31, 2018 and had been included in other receivables. In 2019, $8,560,000 has been collected during the year and $596,000 remained outstanding and had been included in other receivables.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1 GENERAL

a) The Company (Registration Number 199509142R) is incorporated in Singapore. The Company's principal place of business and its registered office at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

b) The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The principal activities of the associate and subsidiaries are disclosed in Notes 10 and 11 to the financial statements respectively.

c) As at December 31, 2019, the Group reported a net current liabilities of $42,712,000 (December 31, 2018 : $46,500,000) and the Group's capital deficiency amounted to $71,105,000 (December 31, 2018 : $74,696,000), and the Group recorded loss for the year of $11,810,000 (2018 : $2,468,000).

d) The Group has been placed on the Watch-list from March 5, 2014, with various extensions given by SGX-ST to meet the requirement for removal from the list. On December 19, 2018, the Company received a notification of delisting from SGX-ST.

Trading in the Company's securities had ceased since January 18, 2019 and had been suspended from January 21, 2019.

On April 29, 2020, the Company and Pacific Moment Holdings Ltd. (the "Offeror") jointly announced that the Offeror has presented to the directors of the Company a formal proposal to make an exit offer to the shareholders of the Company pursuant to Rules 1306 and 1309 of the Listing Manual (the "Delisting Proposal") in connection with the directed delisting of the Company by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification. Under the Delisting Proposal, the Offeror will make a conditional cash exit offer (the "Exit Offer") to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares), other than those shares already held directly or indirectly by the Offeror as at the date of the Exit Offer, in accordance with Section 139 of the Securities and Futures Act (Chapter 289) of Singapore and the Singapore Code on Take-overs and Mergers.

The exit-offer letter dated May 14, 2020 have been dispatched to the shareholders on May 14, 2020. Provenance Capital Pte. Ltd. has been appointed as the Independent Financial Adviser ("IFA") to the Independent Directors. Based on IFA's analysis and after having considered carefully the information available as at May 7, 2020, overall, IFA are of the view that the financial terms of the Exit Offer are fair and reasonable.

e) Notwithstanding the above, management has explored the options available with respect to their financial affairs. The Group has obtained letters of undertaking from the related party, directors and outside party not to demand for payment for at least twelve months from the date of authorisation of these financial statements (Note 18).

Management has also prepared monthly cash flows forecasts of the Group for the next twelve months from the date of authorisation of these financial statements based on (i) the latest available interim financial information; (ii) the discussions with major customers about their expected orders, which however, do not represent firm or committed orders; (iii) no repayment of its borrowings and interest to the related party, directors and outside party (Note 18); (iv) the ability to manage its net cash outflow arising from changes in working capital; and (v) continued financial support from the directors. Furthermore, management is in the process of sourcing for buyers to dispose some of its land use rights so as to aid the cash flows of the Group. Based on the cash flows forecasts and management's assessment, the ability of the Group and Company to continue as a going concern is highly dependent on the continued financial support from the directors.

1 GENERAL (cont'd)

f) The above matters represent a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that financial support from the directors will be available as and when required as well as the ability to source the right buyer and dispose some of the land use rights if the needs arise. The Group and the Company has no intention to undergo voluntary liquidation or to cease trading in the foreseeable future. According to their judgement, management believes that the Group and the Company will be able to continue as a going concern for at least twelve months from the date of authorisation of these financial statements. Hence, management continues to adopt the going concern assumption in preparing these financial statements.

g) Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.

h) The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019 were authorised for issue by the Board of Directors on June 12, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company 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 Company 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

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 Company.

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 interests. 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)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "revenue" line item (Note 23).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserves. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (Note 12).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income/other operating expenses" line item; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from various external sources of actual and forecast economic information that relate to the Group's core operations, namely the sale of wire, cable and related components and mould, moulded plastics products and finished product assembly.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower; or

b) a breach of contract, such as a default or past due event; or

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income or other operating expenses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group 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. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES (Before January 1, 2019)

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit derived from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

LEASES (After January 1, 2019)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

<u>The Group as lessor</u>

The Group enters into lease agreements as a lessor with respect to its building owned by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	–	10 to 50 years
Plant and equipment	–	5 to 10 years
Motor vehicles	–	5 years

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided on construction-in-progress.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

LAND USE RIGHTS – Land use rights are measured initially at cost and amortised on a straight-line basis over the terms of the land use right certificates ranging from 50 to 88 years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATES – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 1-28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate is recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – The Group recognises revenue from manufacturing and sale of wire, cable, related components, moulded plastic products and finished product assembly. The Group also recognises revenue from dividend income and interest income.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells wire, cable, related components, moulded plastic products and finished product assembly. Revenue is recognised when control of goods has transferred, being when the goods have been shipped to the port of export or address nominated by the customers. Following the delivery, the customer has full discretion and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers do not have a right of return.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income is recognised when the right to receive payment is established.

RESEARCH AND DEVELOPMENT EXPENDITURE – Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, are dealt with as defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency is Chinese Renminbi ("RMB"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributable to minority interest as appropriate).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEGAL RESERVES – Certain subsidiaries are required by laws established in their respective countries of incorporation to set aside certain percentage of their annual net profit after tax less prior years' losses, if any, as legal reserve until the accumulated reserve has reached an amount equal to the subsidiary's paid-up capital. This legal reserve can be used to offset a deficit in the retained earnings. It may be transferred to capital when the legal reserve reaches a level equivalent to a certain percentage of the subsidiary's paid-up capital.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Critical judgements in applying the Group's accounting policies

Management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements other than the going concern assumption as set out in Note 1 to the financial statements and those involving estimates as discussed below.

(ii) Key sources of estimation uncertainty

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

(a) Impairment of buildings and right-of-use assets

In assessing the recoverable amount of the buildings and right-of-use assets, management relies on the valuations performed by the independent external valuers to estimate the net realisable values and there is no impairment indication based on the independent valuation report. Management views the respective buildings and the land use rights classified as right-of-use assets as one cash generating unit as when they sell the land use right, it will also include the building.

The carrying amounts of the right-of-use assets and buildings are disclosed in Notes 13 and 15 respectively to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(b) Allowance for doubtful debts

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The allowance for doubtful debts for trade and other receivables are based on assumptions about risk of default and expected loss rates.

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's trade receivables as at December 31, 2019 is S$1,725,000 (2018 : S$3,588,000). The allowances as at December 31, 2019 amounted to S$1,379,000 (2018 : S$2,754,000).

The carrying amounts of the Group's other receivables and deposits as at December 31, 2019 is S$636,000 (2018 : S$9,728,000). The allowances as at December 31, 2019 amounted to S$410,00 (2018 : S$759,000).

(c) Allowances for inventories

Management determines whether an allowance is required for inventories obsolescence or slow-moving stock or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves an analysis of the inventories ageing, a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Arising from the review, management sets up the necessary allowance for obsolete and slow-moving inventories or for any shortfall in the net realisable value of the inventories. The carrying amounts of the inventories are disclosed in Note 9 to the financial statements.

(d) Fair value measurements and valuation processes

The Group's investments in unquoted equity shares are measured at FVTOCI for financial reporting purposes. The Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of financial assets at FVTOCI are disclosed in Note 4(c)(vi).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(e) Impairment of investments in associate and subsidiaries

The Group assesses annually whether its investments in associate and subsidiaries exhibit any indication of impairment. In assessing the impairment loss, the recoverable amounts for investments in associate and subsidiaries were determined based on the net carrying amounts of assets and liabilities recorded on the statement of financial position of the respective associate and subsidiaries, which in the management's view, approximate the fair value of the respective associate and subsidiaries.

Based on management's assessment, there is no further impairment required to be recognised for the current financial year. The carrying amount of investments in associate and subsidiaries at the end of the reporting period is disclosed in Notes 10 and 11 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at amortised cost	4,435	19,755	33	36
Equity instruments designated at FVTOCI	47,247	34,087	–	–
Financial liabilities				
Lease liabilities	370	–	–	–
Financial liabilities at amortised cost	130,264	138,779	11	11

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives

The financial risk management policies of the Group set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Group's overall financial risk management and policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, cash flow interest rate risk, use of derivative financial instruments and investing excess cash. Such policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollars ("US$") and others (made up of Singapore dollars, Japanese Yen and Euro dollars) therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	2019		2018	
	US$	**Others**	**US$**	**Others**
Group ($'000)				
Cash and bank balances	208	244	416	28
Trade receivables	1,220	54	2,977	33
Other receivables and deposits	–	102	44	101
Trade payables	(152)	–	(332)	–
Other payables and accruals	(1)	(10)	(1)	(10)
Net	1,275	390	3,104	152

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency are as follows:

	2019		2018	
	US$	**Others**	**US$**	**Others**
Company ($'000)				
Cash and bank balances	10	23	10	26
Other receivables and deposits	–	102	–	102
Other payables and accruals	(1)	(10)	(1)	(10)
Net	9	115	9	118

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the foreign currency against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

If the relevant currency weakens by 10% against the functional currency of each group entity, loss before income tax will increase by:

	US$ impact		Others impact	
	2019	**2018**	**2019**	**2018**
Loss before income tax ($'000)				
Group	128	310	39	15
Company	–	–	12	12

If the relevant currency strengthens by 10% against the functional currency of each group entity, there would be an equal and opposite impact on the loss before income tax.

(ii) Interest rate risk management

The Group and Company does not have any significant exposure to interest rate risk as there are no significant variable interest-bearing financial assets and liabilities.

No interest rate sensitivity analysis is performed as the impact is insignificant.

(iii) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Note 12.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2019, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables: lifetime ECL – not credit impaired Other receivables: 12-month ECL.
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired.
In default	Amount is > 1 year past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management (cont'd)

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
December 31, 2019						
Trade receivables	7	(i)	Lifetime ECL	3,104	(1,379)	1,725
Other receivables	8	Performing	12-month ECL	636	–	636
Other receivables	8	In default	Lifetime ECL	410	(410)	–
December 31, 2018						
Trade receivables	7	(i)	Lifetime ECL	6,342	(2,754)	3,588
Other receivables	8	Performing	12-month ECL	9,728	–	9,728
Other receivables	8	In default	Lifetime ECL	759	(759)	–

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by estimating based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 7 includes further details on the loss allowance for trade receivables.

Company

The Company had no financial assets and other items that are exposed to material credit risk as of December 31, 2019 and December 31, 2018.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management (cont'd)

Company (cont'd)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's trade receivables are significantly attributable to multi-national corporations located in People's Republic of China and Taiwan. Ongoing credit evaluation is performed on the financial condition of trade receivable.

At the end of the reporting period, approximately 82% (2018 : 78% of the Group's trade receivables were due from 5 major customers (2018 : 5).

Cash is held with creditworthy institutions and is subject to immaterial credit loss.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(v) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due. This strategy has not changed from prior periods.

The Group has adopted the same liquidity risk management approach as the prior period as set out in Note 1 to the financial statements.

Management believes that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interests and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

For the purpose of above tabulation, the following amounts with no contractual repayment dates are assumed to be recoverable or payable within 5 years from the end of the reporting period:

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Group					
2019					
Non-interest bearing	–	37,135	13,644	–	50,779
Lease liabilities (fixed rate)	3.86	73	634	(337)	370
Fixed interest rate instruments	4.00	3,179	92,203	(15,897)	79,485
Total		40,387	106,481	(16,234)	130,634
2018					
Non-interest bearing	–	44,705	13,551	–	58,256
Fixed interest rate instruments	4.00	15,503	81,125	(16,105)	80,523
Total		60,208	94,676	(16,105)	138,779

Company

The non-derivative financial liabilities are unsecured, interest free and repayable on demand.

Non-derivative financial assets

The non-derivative assets of the Group and the Company are unsecured, repayable on demand and interest free other than the financial assets at fair value through other comprehensive income.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value as at each reporting date. The following table gives information about how the fair values of financial assets are determined.

	Fair values as at December 31, 2019 $'000	Fair values as at December 31, 2018 $'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at fair value through other comprehensive income (See Note 12)				
Unquoted equity shares	47,247	34,087	Level 3	Price/Earning ratio and Price/Book ratio of comparable listed companies adjusted for liquidity reduction factor [1]

[1] *Any significant isolated increases (decreases) of the unobservable input (liquidity reduction factor) can result in a significantly lower (higher) fair value measurement.*

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The long term borrowing are based on market interest rates and hence their carrying amount approximate their fair value.

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowingsand lease liabilities and equity attributable to equity holders of the Company, comprising issued capital, reserves net of accumulated losses as disclosed in the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Capital management policies and objectives (cont'd)

The Group's management reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties which are mainly entities controlled by a key management personnel of the Group and common shareholders. The effects of these transactions on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant transactions with the related parties other than items disclosed in other notes to the financial statements are as follows:

Transactions with affiliated entities of common directors whereby the directors have interests and significant influence over these entities:

	Group	
	2019	**2018**
	$'000	**$'000**
Rental expense	70	71
Rental income	(118)	(103)
Sales and other income	(9)	(8)

Compensation of directors and key management personnel

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

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term benefits	1,291	1,538
Post-employment benefits	36	39
Total	1,327	1,577

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank	2,056	6,395	33	36
Cash on hand	18	44	–	–
Total	2,074	6,439	33	36
Less: Restricted cash	(33)	(33)	–	–
Cash and cash equivalents in the statement of cash flows	2,041	6,406	33	36

Bank balances of the Group amounting to $33,000 (2018 : $33,000) represents the bank deposits pledged for letter of guarantee undertaken by the Group.

7 TRADE RECEIVABLES

	Group	
	2019	2018
	$'000	$'000
Outside parties	3,104	6,342
Less: loss allowance	(1,379)	(2,754)
Total	1,725	3,588

The average credit period on sales of goods ranges from 90 days to 120 days (2018 : 90 days to 120 days). No interest is charged on the outstanding trade receivables. The Group does not hold any collateral over these balances.

7 TRADE RECEIVABLES (cont'd)

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 1 year past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 2 years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with SFRS(I) 9:

	Lifetime ECL – credit-impaired
	$'000
Group	
As at January 1, 2018	3,505
Amount written off	(1,019)
Change in allowance recognised in profit or loss	341
Exchange alignment	(73)
Balance as at December 31, 2018	2,754
Amount written off	(1,475)
Change in allowance recognised in profit or loss	111
Exchange alignment	(11)
Balance as at December 31, 2019	1,379

The following is an aging analysis of trade receivables:

	Group	
	2019	**2018**
	$'000	**$'000**
Not past due	595	1,942
1 to 30 days	514	707
30 to 60 days	346	725
60 to 90 days	48	134
90 to 180 days	222	80
Total	1,725	3,588

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
VAT recoverable	358	234	–	–
Sundry receivables	1,005	10,015	–	–
Deposits	41	472	–	–
Prepayments	474	553	102	101
Total	1,878	11,274	102	101
Less: Allowance	(410)	(759)	–	–
Net	1,468	10,515	102	101

Included in Group's sundry receivables as at December 31, 2019, was an amount of $596,000 (2018 : $9,156,000) receivable for disposal of property, plant and equipment and land use rights.

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL). In determining the ECL, Management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Accordingly, management believes that an allowance of $410,000 (2018 : $759,000) is adequate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below shows the movement in ECL that has been recognised for other receivables in accordance with SFRS(I) 9:

	Lifetime ECL – credit-impaired $'000
Group	
As at January 1, 2018	480
Change in allowance recognised in profit or loss	314
Exchange alignment	(35)
Balance as at December 31, 2018	759
Amount written off	(347)
Change in allowance recognised in profit or loss	7
Exchange alignment	(9)
Balance as at December 31, 2019	410

9 INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Raw materials	1,559	2,055
Work in progress	401	843
Finished goods	328	591
	2,288	3,489

In the current year, the cost of inventories recognised as expense includes $74,000 (2018 : $178,000) in respect of write-downs of inventory to net realisable value.

10 ASSOCIATE

	Group	
	2019	2018
	$'000	$'000
Cost of investment in associate	1,054	1,054
Exchange realignment	(46)	(28)
Share of post-acquisition loss, net of dividend received	(334)	(267)
Net	674	759

The details of the associate, with its registration and operation in the People's Republic of China and audited by another firm of certified public accountants are as follows:

Name of associate	Principal activities	Effective interest and voting power held	
		2019	2018
		%	%
Shanghai Nichiei Precision Mold Co., Ltd	Fabricating and repairing moulds used for electronic products.	30	30

The above associate is accounted for using the equity method in these consolidated financial statements.

10 ASSOCIATE (cont'd)

Summarised financial information in respect of the Group's associate is set out below:

	Group	
	2019	2018
	$'000	$'000
Current assets	2,241	2,572
Non-current assets	644	767
Current liabilities	(638)	(809)
Revenue	3,607	3,818
(Loss) Profit for the year, representing total comprehensive (loss) profit for the year	(223)	12

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Nichiei Precision Mold Co., Ltd ("Shanghai Nichiei") recognised in the consolidated financial statements:

	Group	
	2019	2018
	$'000	$'000
Net assets of the associate	2,247	2,530
Proportion of the Group's ownership interest in Shanghai Nichiei	30%	30%
Carrying amount of the Group's interest in Shanghai Nichiei	674	759

11 SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost	13,349	13,715
Impairment allowance	(13,349)	(13,715)
Net investment	–	–
Loans receivables	47,065	48,357
Impairment allowance	(47,065)	(48,357)
Net	–	–

11 SUBSIDIARIES (cont'd)

Movement in the impairment allowance:

	Company 2019 $'000	Company 2018 $'000
At beginning of year	62,072	64,138
Exchange realignment	(1,658)	(2,066)
At end of the year	60,414	62,072

The loans to subsidiaries were unsecured and interest-free. The loans have been accounted for as capital investment as there is no contractual obligation for repayment by the subsidiaries except upon liquidation.

The details of the subsidiaries are as follows:

Name of subsidiary	Effective interest and voting power held 2019 %	2018 %	Principal activities
Held by Company			
Huan Hsin Co. (M) Sdn Bhd #4 (c)	100	100	Dormant
Greatest Innovation Investments Ltd #2 (a)	100	100	Investment holding
Held by subsidiaries			
AMTEK System Co., Ltd #1 (c)	100	100	Dormant
Bao-Ji Development Co., Ltd #1 (a)	100	100	Investment holding
Chongqing Huan Hsin Technology Co., Ltd #3 (d)	-	100	Struck off
Huan Hsin (BVI) Ltd #2 (a)	100	100	Purchase raw materials and marketing of telephone cords and accessories
Real Galaxy Enterprise Limited #2 (c)	100	100	Investment holding
Huan Hsin (China) Investment Co., Ltd #3 (c)	100	100	Investment holding

11 SUBSIDIARIES (cont'd)

Name of subsidiary	Effective interest and voting power held 2019 %	Effective interest and voting power held 2018 %	Principal activities
Held by subsidiaries			
Shanghai Heisei Electronics Co., Ltd #3 (d)	–	100	Struck off
Shanghai Huan Hsin Electronics Co., Ltd, #3 (b)	100	100	Manufacture and export of telephone jacks, telephone cords, wires, AC/DC cords and various types of cables
Shanghai Yi Hsin Industry Co., Ltd #3 (b)	100	100	Dormant
Suzhou Yi Quan Electronic Technology Co., Ltd #3 (b)	100	100	Dormant
Shanghai Zhan Hsin Industry Co., Ltd #3 (b)	100	100	Dormant
Shandong Dong Hsin Electronics Co., Ltd #3 (b)	100	100	Dormant

Country of incorporation:

#1 Taiwan
#2 British Virgin Islands
#3 People's Republic of China
#4 Malaysia

(a) The subsidiary is audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(b) The subsidiary is audited/reviewed by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.

(c) These subsidiaries are not considered to be material subsidiaries of the Group.

(d) The subsidiaries were struck off during the financial period and cumulative exchange differences of $2,696,000 in respect of the net assets of the subsidiaries was reclassified from equity to profit or loss. A loss on struck off of subsidiaries of $2,331,000 was recognised.

The place of operation of the subsidiaries is the same as the country of incorporation except for Huan Hsin (BVI) Ltd and Greatest Innovation Investments Ltd, which operates through their branches or offices in Taiwan.

11 SUBSIDIARIES (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2019	2018
Investment holding	Taiwan	1	1
Investment holding	British Virgin Islands	2	2
Investment holding	People's Republic of China	1	1
Procurement service	British Virgin Islands	1	1
Manufacture of electronic related component	People's Republic of China	1	1
Dormant	Taiwan	1	1
Dormant	Malaysia	1	1
Dormant	People's Republic of China	4	6
		12	14

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group designated the investments shown below as equity investments as at FVTOCI because these equity investments represent investments that the Group intends to hold for long-term for strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long-term.

	Group	
	2019	2018
	$'000	$'000
Unquoted equity shares:		
At fair value	47,247	34,087

The investment in unquoted equity investments represent investment in companies that are engaged in manufacturing of multi-layer printed circuit boards, EMC/EMI/safety testing, layout-debug, anechoic chamber construction and components / instruments distribution and cultivation of flowers by biotechnology.

No investment in equity instruments measured at FVTOCI has been disposed during the current reporting period.

One of the equity investments amounting to $46.7 million (2018 : $33.6 million) is pledged to secure an external party loan (Note 18).

13 RIGHT-OF-USE-ASSETS

The Group leases several leasehold land and office space. The average lease term is 19 years.

	Land use rights $'000	Leasehold Land $'000	Office space $'000	Total $'000
Group				
Cost:				
At January 1, 2019	6,459	384	137	6,980
Exchange realignment	(161)	–	–	(161)
At December 31, 2019	6,298	384	137	6,819
Accumulated depreciation:				
At January 1, 2019	2,181	–	–	2,181
Exchange realignment	(59)	–	–	(59)
Depreciation	125	10	68	203
At December 31, 2019	2,247	10	68	2,325
Carrying amount:				
At December 31, 2019	4,051	374	69	4,494

Management has evaluated whether there is any indication of impairment by considering both internal and external sources of information, and are satisfied that no indication of impairment for right-of-use-assets.

14 LAND USE RIGHTS

	Group	
	2019	2018
	$'000	$'000
Cost:		
At December 31/ January 1	6,459	5,665
Adoption of SFRS(I) 16 (Note 32 (d))	(6,459)	–
At January 1 (Restated)	–	5,665
Exchange realignment	–	(177)
Reclassification from non-current assets classified as held for sale (Note a)	–	2,089
Disposal	–	(1,423)
Addition	–	305
At December 31	–	6,459
Accumulated amortisation:		
At January 1	2,181	1,619
Adoption of SFRS(I) 16 (Note 32 (d))	(2,181)	–
At January 1 (Restated)	–	1,619
Exchange realignment	–	(53)
Charge to profit or loss	–	137
Reclassification from non-current assets classified as held for sale (Note a)	–	876
Disposal	–	(398)
At December 31	–	2,181
Carrying amount:		
At December 31	–	4,278

The land use rights represents premium paid for using the land for a term ranging from 50 years to 88 years from the date of grant of land use rights certificates.

Note a

In 2017, Greatest Innovation Investments Limited entered into a proposed acquisition term sheet with a third party for the sale of Shanghai Yi Hsin's and Shanghai Zhan Hsin's land use rights and buildings. Management expected the above transaction to be completed within 12 months and classified the land use rights and buildings as non-current assets held for sale as at December 31, 2017.

On July 25, 2018, the authorities in Shanghai issued a new notice in relation to strategic reserved area planning and land management. Under the new guidance for development concept, the authorities had delineate strategic reserved areas for future development. All developments and changes were regulated by the authorities and required the district government to submit an application to the Municipal Planning Land and Resources Bureau ("MPLRB") for approval. Management had submitted the application to dispose the land use rights and buildings through the district government.

As at December 31, 2018, management had yet to receive the approval from MPRLB and was of the view the expected date of completion of this transaction cannot be reliably estimated. Accordingly, the non-current assets classified as held for sale were reclassified to land use rights and property, plant and equipment (Note 15). No approval was obtained in 2019 from MPLRB.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
Group					
Cost:					
At January 1, 2018	43,393	65,586	1,342	15	110,336
Exchange realignment	(1,364)	(2,012)	(42)	(1)	(3,419)
Additions	36	21	72	15	144
Disposals	(13,783)	(36,204)	(549)	–	(50,536)
Reclassification from non-current assets classified as held for sale (Note 14)	13,815	–	–	–	13,815
At December 31, 2018	42,097	27,391	823	29	70,340
Exchange realignment	(1,079)	(204)	(19)	(1)	(1,303)
Additions	–	30	14	–	44
Disposal	–	–	(1)	–	(1)
At December 31, 2019	41,018	27,217	817	28	69,080
Accumulated depreciation:					
At January 1, 2018	21,669	37,633	764	–	60,066
Exchange realignment	(742)	(1,113)	(26)	–	(1,881)
Depreciation	2,121	19	–	–	2,140
Disposals	(6,844)	(22,811)	(183)	–	(29,838)
Reclassification from non-current assets classified as held for sale (Note 14)	10,805	–	–	–	10,805
At December 31, 2018	27,009	13,728	555	–	41,292
Exchange realignment	(727)	(175)	(15)	–	(917)
Disposal	–	–	(1)	–	(1)
Depreciation	1,483	4	3	–	1,490
At December 31, 2019	27,765	13,557	542	–	41,864

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Construction -in-progress $'000	Total $'000
<u>Group</u>					
Accumulated impairment loss:					
At January 1, 2018	697	27,933	537	–	29,167
Exchange realignment	2	(909)	(17)	–	(924)
Charge	–	20	73	–	93
Disposals	–	(13,393)	(366)	–	(13,759)
At December 31, 2018	699	13,651	227	–	14,577
Exchange realignment	(1)	(30)	(3)	–	(34)
Charge	–	39	13	–	52
At December 31, 2019	698	13,660	237	–	14,595
Carrying amount:					
At December 31, 2019	12,555	–	38	28	12,621
At December 31, 2018	14,389	12	41	29	14,471

During the financial year, with the continued poor operational performance of certain subsidiaries, the Group carried out a review of the recoverable amount of certain property, plant and equipment which resulted in the recognition of an impairment loss of $52,000 (2018 : $93,000).

16 TRADE PAYABLES

	Group 2019 $'000	Group 2018 $'000
Outside parties	1,907	4,213

The average credit period on purchases of goods is approximately 120 days (2018 : 120 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade payables due to outside parties principally comprise amounts outstanding for trade purchases and ongoing costs.

17 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued operating expenses	12,108	8,938	11	11
Sundry payables	1,115	1,766	–	–
VAT payable	9,245	9,713	–	–
Advance from customers (i)	3,620	3,628	–	–
Total	26,088	24,045	11	11

Accrued operating expenses principally comprise amount outstanding for trade purchases and ongoing costs. Interest payable to third party A of US$4,785,556 (approximately $6,447,000) (Note 18) included in accrued operating expenses.

(i) Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when the goods are collected by the customers. A contract liability arises from these advances received from third party customers when payment is initially received. Revenue is recognised at the point of shipment, when control of goods has transferred to the customer.

Group's revenue recognised that was included in the contract liability balance at the beginning of the period:

	Group	
	2019	2018
	$'000	$'000
Amounts received in advance of delivery	8	4,161

18 BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other loans payable (Note a):				
– Outside party (i)	79,485	80,523	–	–
– Related party*(ii)	5,553	9,894	–	–
– Director(s) (iii)	30,096	33,445	–	–
Total	115,134	123,862	–	–
<u>Presentation on statements of financial position</u>:				
Current liabilities	22,005	42,071	–	–
Non-current liabilities	93,129	81,791	–	–
Total	115,134	123,862	–	–

* affiliated entity with common directors.

18 BORROWINGS (cont'd)

Notes:

(a) Included in the other loans payable are:

(i) US$59,000,000 or approximately $79,485,000 (2018 : US$59,000,000 or approximately $80,523,000) to a third party A which is secured by unquoted equity shares (Note 12).

The repayment of the loan is divided into two tranches, set out as follows:

I. US$Nil (2018 : US$9,000,000 or approximately $12,283,000) is repayable on demand; and

II. US$59,000,000 or approximately $79,485,000 (2018 : US$50,000,000 or approximately $68,240,000) is not expected to be repaid within twelve months.

The loan bears an interest rate of 4% (2018 : 4%) per annum and management has estimated the fair value to approximate its carrying value.

(ii) $5,553,000 (2018 : $9,894,000) to a related party, which is a company owned by certain directors of the Company, and is unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the related party for the outstanding balances amounting to $5,283,000 (2018 : $5,247,000) and accordingly these have been classified as non-current. The remaining balances of $270,000 (2018 : $4,647,000) are repayable on demand;

(iii) $30,096,000 (2018 : $33,445,000) to certain directors which are unsecured and interest-free.

The Group has obtained a letter of waiver to demand payment within twelve months from the end of the reporting period from the directors for the outstanding balances amounting to $8,361,000 (2018 : $8,304,000) and accordingly classified as non-current. Advance from a director amounting to $21,735,000 (2018 : $25,141,000) is expected to be repaid within the next 12 months.

Subsequent to year end, the Group has obtained letters of undertaking from a related party, the directors and third party A not to demand for payment of amount due to a related party and directors of $35,649,000 and borrowing from third party A of US$59,000,000 (approximately $79,485,000) respectively for at least twelve months from the date of directors' statement for the financial year ended December 31, 2019. The Group has also obtained letter of undertaking from third party A not to demand for payment of interest payable of $6,447,000 (Note 17) and interest relating to loan amount of US$59,000 000 for the period from January 1, 2020 to June 30, 2021.

18 BORROWINGS (cont'd)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	December 31, 2018 $'000	Adoption of SFRS (I) 16 $'000	January 1, 2019 $'000	New lease Liabilities $'000	Financing activity $'000	Non-cash changes Foreign exchange movement $'000	December 31, 2019 $'000
Lease liabilities	–	92	92	429	(164)	13	370
Borrowings	123,862	–	123,862	–	(6,825)	(1,903)	115,134

	January 1, 2018 $'000	Financing activity $'000	Non-cash changes Foreign exchange movement $'000	December 31, 2018 $'000
Borrowings	118,021	3,694	2,147	123,862

19 LEASE LIABILITIES

	Group 2019 $'000
Maturity Analysis:	
Year 1	73
Year 2	–
Year 3	–
Year 4	–
Year 5	19
Year 6 onwards	615
	707
Less: Unearned interest	(337)
	370
Analysed as:	
Current	70
Non-current	300
	370

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

20 SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and paid up:				
At beginning and end of the year	400,000	400,000	151,097	151,097

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

21 RESERVES

	Group	
	2019	2018
	$'000	$'000
Capital reserve		
Capitalisation of profits by subsidiary	54,955	54,955
Effect of change in ownership interest in subsidiary when there is no change in control	–	(183)
Total	54,955	54,772
Legal reserves		
At beginning of year	30,356	30,356
Struck off of a subsidiary	(5,147)	–
Legal reserves	25,209	30,356

The Board has determined the percentage of the profits of the Group's subsidiaries to be appropriated to the legal reserves in accordance with local regulations in China.

22 FAIR VALUE RESERVES

The fair value reserves represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earning upon disposal.

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of year	9,653	7,657
Fair value gain on investments in equity instruments designated at FVTOCI	13,590	1,816
Exchange difference	(430)	180
Balance at end of year	22,813	9,653

23 REVENUE

The Group derives its revenue from transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (See Note 30).

A disaggregation of the Group's revenue for the year is a follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Dividend income from financial assets at FVTOCI	–	216
Sale of goods:		
a) Wire, cable and related components	11,153	12,346
b) Moulded plastic products & finished product assembly	–	2,968
Interest income	41	217
Total	11,194	15,747

24 OTHER OPERATING INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Net foreign exchange gain	2,499	1,081
Rental income	810	483
Gain on disposal of property, plant and equipment and land use rights	9	11,274
Sales of scrap	30	491
Sundry income	717	989
Waiver of trade payables due to outside party	–	793
Total	4,065	15,111

25 EMPLOYEE BENEFITS EXPENSES

	Group	
	2019	2018
	$'000	$'000
Wages and salaries	5,623	8,890
Cost of defined contribution plan	765	697
Total	6,388	9,587

The employees of the subsidiaries are members of state-managed retirement benefit plans, operated by the respective local governments. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

During the financial year, the Group incurred retrenchment costs amounting to $290,000 (2018 : $780,000).

Number of directors of the Company in remuneration bands is as follows:

	Group	
	2019	2018
$250,000 to $499,999	2	2
Below $250,000	4	4
Total	6	6

26 FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
Interest expenses on:		
– Bank loans	–	2
– Other loans payable	3,262	3,229
– Lease liabilities	14	–
Other	271	273
Total	3,547	3,504

27 LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2019	2018
	$'000	$'000
Allowances for*:		
– Trade receivables (Note 7)	111	881
– Other receivables (Note 8)	7	314
Allowance for inventories obsolescence (Note 9)	74	178
Auditors' remuneration *:		
– Auditors of the Company	173	173
– Other auditors	97	86
Cost of inventories recognised as an expense	9,958	15,572
Directors' remuneration:		
– Directors of the Company	795	985
– Directors of subsidiaries	205	210
Directors' fees:		
– Directors of the Company	168	176
Impairment loss on:		
– Property, plant and equipment (Note 15)	52	93
Non-audit fees paid to auditors *:		
– Auditors of the Company	30	30
– Other auditors	4	4

* Included in other operating expenses line item in the consolidated statement of profit or loss.

28 INCOME TAX (EXPENSE) CREDIT

	Group	
	2019	2018
	$'000	$'000
(Under) Overprovision in prior years	(11)	393

28 INCOME TAX (EXPENSE) CREDIT (cont'd)

The Group's operations are mainly in the People's Republic of China ("PRC"). The tax expense on the profit differs from the amount that would arise using the PRC income tax rate of 25% (2018 : 25%) due to the following:

	Group	
	2019	2018
	$'000	$'000
Loss before income tax	(11,799)	(2,861)
Income tax benefit at 25% (2018 : 25%)	(2,950)	(715)
Tax effects of:		
Expenses that are not deductible in determining taxable profit	1,440	1,580
Tax exempt income	–	(3,125)
Different tax rates of subsidiaries operating in other jurisdictions	64	441
Deferred tax benefit on tax losses not recognised	1,665	1,524
Deferred tax benefit on deductible temporary differences not recognised	(219)	295
(Under) Overprovision in prior years	(11)	393
Net	(11)	393

As at the end of the reporting period, the Group has tax losses which are available for offsetting against future taxable income as follows:

	Group	
	2019	2018
	$'000	$'000
Tax losses		
At beginning of year	139,671	178,445
Adjustment	–	(386)
Exchange realignment	(3,428)	(4,366)
Arising	6,662	6,094
Expired	(36,850)	(40,116)
At end of year	106,055	139,671
Deferred tax benefit on above at PRC's statutory tax rate of 25% - Unrecorded	26,513	34,918

28 INCOME TAX (EXPENSE) CREDIT (cont'd)

At the end of the reporting period, the Group has other temporary differences which are available for offsetting against future taxable income as follows:

	Group	
	2019	2018
	$'000	$'000
Other temporary differences		
At beginning of year	53,111	91,153
Exchange realignment	(52)	(2,593)
Adjustment	(42,006)	(36,628)
(Utilised) Arising	(877)	1,179
At end of year	(10,176)	53,111
Deferred tax benefit on above at PRC's statutory tax rate of 25% - Unrecorded	2,544	13,278

Deferred tax asset arising from the above tax losses and other temporary differences have not been recognised in the financial statements due to the unpredictability of future taxable profits which are available against which the tax losses and other temporary differences can be utilised. The realisation of the future income tax benefits from tax losses carry forwards is subject to the conditions imposed by the relevant tax authorities.

29 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company of $11,810,000 (2018 : $2,468,000) by 400,000,000 (2018 : 400,000,000) shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per ordinary share is the same as basic loss per share as there are no dilutive potential ordinary shares.

30 SEGMENT INFORMATION

(a) Products and services from which reportable segments derive their revenue

The operations of the Group are in the manufacturing and sale of wire, cable, related components, moulded plastic products & finished product assembly. Most of the assets of the Group are deployed in these operations. Total assets by segments are those assets that are used in the operations of each segment.

Segment information reported externally is analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. wire, cable and related components, mould, moulded plastic products and finished product assembly). Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of goods and services.

Information regarding the Group's reportable segments is presented below.

30 SEGMENT INFORMATION (cont'd)

(a) Products and services from which reportable segments derive their revenue (cont'd)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
2019				
REVENUE				
External sales	11,153	–	41	11,194
RESULTS				
Segment result	(4,215)	(7,936)	41	(12,110)
Unallocated corporate expenses				(140)
Other operating income	219	3,846	–	4,065
Finance cost				(3,547)
Share of results of associate				(67)
Loss before income tax				(11,799)
Income tax expense				(11)
Loss for the year				(11,810)
OTHER INFORMATION				
Loss allowance, net of reversals on trade receivable subject to ECL	5	106	–	111
Loss allowance, on other receivables subject to ECL	7	–	–	7
Allowance of inventories obsolescence	74	–	–	74
Capital additions	38	6	–	44
Depreciation and amortisation	84	1,601	–	1,685
Unallocated depreciation and amortisation				8
Total depreciation and amortisation				1,693
Impairment allowance on property, plant and equipment	39	13	–	52

30 SEGMENT INFORMATION (cont'd)

(a) Products and services from which reportable segments derive their revenue (cont'd)

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
2018				
REVENUE				
External sales	12,346	2,968	433	15,747
RESULTS				
Segment result	(2,229)	(12,566)	433	(14,362)
Unallocated corporate expenses				(110)
Other operating income	158	14,953	–	15,111
Finance cost				(3,504)
Share of results of associate				4
Loss before income tax				(2,861)
Income tax credit				393
Loss for the year				(2,468)
OTHER INFORMATION				
Loss allowance, net of reversals on trade receivable subject to ECL	478	403	–	881
Loss allowance, on other receivables subject to ECL	119	195	–	314
Allowance of inventories obsolescence	178	–	–	178
Waiver of trade payables due to outside party	–	(793)	–	(793)
Capital additions	91	53	305	449
Depreciation and amortisation	15	2,261	–	2,276
Unallocated depreciation and amortisation				1
Total depreciation and amortisation				2,277
Impairment allowance on property, plant and equipment	93	–	–	93

30 SEGMENT INFORMATION (cont'd)

(a) Products and services from which reportable segments derive their revenue (cont'd)

	Wire, cable and related components $'000	Mould, moulded plastics products and finished product assembly $'000	Others $'000	Total $'000
SEGMENT ASSETS AND LIABILITIES				
2019				
Assets				
Segment assets	6,649	17,322	–	23,971
Investment in associate				674
Financial assets at FVTOCI			47,247	47,247
Unallocated corporate assets				699
Consolidated total assets				72,591
Liabilities				
Segment liabilities	4,044	139,284	–	143,328
Unallocated corporate liabilities				171
Income tax payable				197
Consolidated total liabilities				143,696
SEGMENT ASSETS AND LIABILITIES				
2018				
Assets				
Segment assets	8,422	33,351	–	41,773
Investment in associate				759
Financial assets at FVTOCI	–	–	34,087	34,087
Unallocated corporate assets				1,007
Consolidated total assets				77,626
Liabilities				
Segment liabilities	6,376	145,570	–	151,946
Unallocated corporate liabilities				174
Income tax payable				202
Consolidated total liabilities				152,322

30 SEGMENT INFORMATION (cont'd)

(b) Geographical information

The Group operates in three geographical market segments - Malaysia, People's Republic of China and Taiwan.

The Group's information about its segment assets (non-current assets excluding investments in associates and financial assets at FVTOCI) by geographical location are detailed below:

	Group Non-current assets	
	2019	**2018**
	$'000	**$'000**
People's Republic of China	16,651	18,331
Taiwan	78	11
Malaysia	386	407
Total	17,115	18,749

The majority of the Group's products are supplied to Original Equipment Manufacturers ("OEM") and Original Design Manufacturers ("ODM"). Sales invoices are sent to centralised purchasing offices or purchasing agents of these OEMs and ODMs. The manufacturers or principals will incorporate the Group's products into their own equipment or distribute it as accessories through their distribution network. The Group has no information of end markets of their products and is therefore unable to prepare geographical segment information on the basis of end markets of the products. The Group is of the view that analysis of sales by geographical location based on the OEMs' and ODMs' location is not meaningful and has therefore not presented this information.

(c) Information about major customers

Revenue from the major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Wire, cable and related components:		
Customer 1	6,367	6,258
Customer 2	1,351	2,638
Customer 3	–	1,922

31 UNSECURED COMMITMENTS AND CAPITAL EXPENDITURE

(a) Operating leases commitments:

The Group as lessee

Disclosure required by SFRS(I) 1-17 (Before January 1, 2019)

	Group 2018 $'000
Minimum lease payments under operating leases recognised as an expense in the year	71

At December 31, 2018, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2018 $'000
Within one year	71
In the second to fifth year inclusive	23
Total	94

Operating lease payments represent rentals payable by the Group for its factory and office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

The Group as lessor

Disclosure required by SFRS(I) 16 (After January 1, 2019)

Operating leases, in which the Group is the lessor, relate to building owned by the Group with lease terms negotiated for an average of 3 years with no extension options. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Group 2019 $'000
Maturity analysis of operating lease payments:	
Year 1	481
Year 2	938
Total	1,419

31 UNSECURED COMMITMENTS AND CAPITAL EXPENDITURE (cont'd)

(a) Operating leases commitments: (cont'd)

Disclosure required by SFRS(I) 1-17

During the year ended December 31, 2018, the Group rents out its properties under operating leases. Property rental income earned during the year was $483,000.

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2018 $'000
Within one year	708
In the second to fifth year inclusive	872
Total	1,580

Rental is for an average of 3 years and the rental rate is revised on an average of 3 years. For the purpose of the above, the prevailing lease rentals are used.

32 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

On January 1, 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/ revised SFRS(I) pronouncements does not result in changes to the Group's and the company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments; and

- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17.

32 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

32 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(b) Impact on lessee accounting (cont'd)

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

The lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is ranging from 2.62% to 4.00%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	Group 2019 $'000
Operating lease commitments at December 31, 2018	94
Less: Effect of discounting the above amounts	(2)
Add: Present value of the new lease payments	429
Lease liabilities recognised as January 1, 2019	521

During the year, land use right amounted to $4.278 million have been reclassified to 'right-of-use assets' under SFRS(I) 16 at date of initial application.

33 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2020

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) *1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Defintion of Material*

- Amendments to SFRS(I) 3 *Business Combinations: Defintion of a Business*

- Amendments to References to the Conceptual Framework in SFRS(I) Standards

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 Investments *in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management anticipates that the adoption of the above SFRS(I) and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

34 SUBSEQUENT EVENTS

The epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") subsequent to the reporting period is expected to affect the business and economic activities of the Group. As the situation is fluid and rapidly evolving, the expected impact on the Group's subsequent financial results could not be reasonably estimated at this stage. The related impact will be reflected in the Group's financial statements for the financial year ending December 31, 2020. Notwithstanding this and as disclosed in Note 1, management has assessed that the Group and the Company will be able to continue as a going concern for at least the next twelve months from the date of authorisation of these financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT MAY 14, 2020

Amount of issued share capital	: S$151,096,603
Number of shares	: 400,000,000
Class of shares	: ordinary shares
Voting rights	: one vote per share

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 99	10	0.45%	137	0.00%
100 - 1,000	183	8.22%	100,850	0.03%
1,001 - 10,000	1,264	56.76%	6,294,056	1.57%
10,001 - 1,000,000	739	33.18%	55,892,269	13.97%
1,000,001 AND ABOVE	31	1.39%	337,712,688	84.43%
	2,227	100%	400,000,000	100%

Based on information available to the Company as at May 14, 2020, approximately 44.56% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

The Company does not have any treasury shares.

Top Twenty Shareholders as at May 14, 2020

S/No.	Name	No. of Shares	Percentage
1	USP GROUP LIMITED	64,809,400	16.20%
2	CCH HOLDINGS LIMITED	54,534,175	13.63%
3	HUNGCHUN HOLDINGS LIMITED	54,534,175	13.63%
4	CITIBANK NOMINEES SINGAPORE PTE LTD	50,298,600	12.57%
5	HUNGCHUN ASSETS LIMITED	18,178,059	4.54%
6	CCH ASSETS LIMITED	18,178,058	4.54%
7	RAFFLES NOMINEES (PTE.) LIMITED	12,329,700	3.08%
8	UOB KAY HIAN PRIVATE LIMITED	12,288,400	3.07%
9	LIAO HAN KUEI	6,917,388	1.73%
10	YEH WANG FU-TAI	3,750,000	0.94%
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,615,459	0.90%
12	LI CHUN KUEI	3,478,000	0.87%
13	HSU CHANG YU-MEI	3,000,000	0.75%
14	YANG YU-LIN	3,000,000	0.75%
15	MOU LI-HUA	2,988,000	0.75%
16	DBS NOMINEES (PRIVATE) LIMITED	2,271,200	0.57%
17	HSBC (SINGAPORE) NOMINEES PTE LTD	2,265,000	0.57%
18	LU SHENG-CHIEH	2,180,600	0.55%
19	CHANG SHIH HSING	2,090,066	0.52%
20	MERRILL LYNCH (SINGAPORE) PTE. LTD.	2,000,000	0.50%
		322,706,280	80.66%

STATISTICS OF SHAREHOLDINGS
AS AT MAY 14, 2020

Substantial Shareholders
As shown in the Register of Substantial Shareholders

		No of Shares	
	Name of Shareholders	**Direct Interest**	**Deem Interest**
1	USP Group Limited	64,809,400	0
2	HungChun Holdings Limited#	54,534,175	0
3	CCH Holdings Limited##	54,534,175	0
4	Hsu Hung Chun*	0	75,712,234
5	Hsu Cheng Chien**	500,000	75,712,233
6	Hsu Chang Yu-Mei*	3,000,000	72,712,234
7	Yang Yu-Lin**	3,000,000	73,212,233

Mr Hsu Hung Chun is, by virtue of his interest in HungChun Holdings Limited and HungChun Assets Limited which holds 18,178,059 shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in British Virgin Islands and wholly-owned by Mr Hsu Hung Chun.

Mr Hsu Cheng Chien is, by virtue of his interest in CCH Holdings Limited and CCH Assets Limited which holds 18,178,058 shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in British Virgin Islands and wholly-owned by Mr Hsu Cheng Chien.

* Husband and wife

** Husband and wife

NOTICE OF ANNUAL GENERAL MEETING

Pursuant to the Covid-19 (Temporary Measures) Act 2020 passed by Parliament on April 7, 2020, the Twenty-Fourth Annual General Meeting of Huan Hsin Holdings Ltd (the “AGM”) will be convened and held by a way of electronic means on Monday, June 29, 2020 at 10:00 a.m., to transact the following business: -

AS ORDINARY BUSINESS

1.	To receive and adopt the Directors’ Statement and Financial Statements for the financial year ended December 31, 2019 and the Auditors’ Report thereon.	(Resolution 1)
2.	To approve Directors’ Fees of S$168,000/- for the year ended December 31, 2019. (2018: S$176,000/-)	(Resolution 2)
3a.	To re-elect Mr Hsu Cheng Chien who retires by rotation in accordance with Regulation No. 103 of the Company’s Constitution and who, being eligible, offers himself for re-election. (Last Re-election Date: April 28, 2017)	(Resolution 3a)
3b.	To re-elect Mr Chew Heng Ching who retires by rotation in accordance with Regulation No. 103 of the Company’s Constitution and who, being eligible, offers himself for re-election. (Last Re-election Date: April 25, 2016)	(Resolution 3b)
4.	To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.	(Resolution 4)

ANY OTHER BUSINESS

5. To transact any other ordinary business of an AGM of which due notice shall have been given.

By Order of the Board

HAN TOCK MUI KELLY
Company Secretary

Singapore, June 12, 2020

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 2) Order 2020. Printed copies of Annual Report for FY2019 and this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**

2. **Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   The accompanying proxy form for the AGM will be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it **must give specific instructions** as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on June 17, 2020 (being 7 working days before the AGM).

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registration Office of the Company at Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Share Registration Office of the Company at **srs.teamc@boardroomlimited.com**, in either case **not less than 72 hours** before the time appointed for holding the AGM.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. **Alternative arrangement relating to attendance at the AGM via electronic means, including arrangements by which the meeting can be electronically accessed via live webcast or live audio only feed.**

Pre-Registration

Members who wish to participate in the AGM by observing to the AGM proceedings via "live" webcast or listening to the AGM proceedings via "live" audio only feed (the "AGM Webcast") should pre-register at https://www.bigbangdesign.co/huan-hsin-pre-registration-microsite for proceedings **at least 3 working days before the AGM i.e. by 10:00 a.m. on June 24, 2020 (the "Registration Deadline").**

At the pre-registration page, kindly indicate whether you would like to attend via the "live" webcast or via the "live" audio only feed. The Company will send an email containing the link for the AGM Webcast, and the corresponding login credentials to all verified members on June 28, 2020.

Submitting Questions in Advance

Members will not be able to ask questions "live" via the AGM Webcast. Any questions on matters related to the AGM may be submitted to the Chairman of the AGM by electronic mail to wmeeng@outlook.my **not later than 10:00 a.m. on June 24, 2020** stating your question and full name. Alternatively, members can also submit their questions via the pre-registration form online at https://www.bigbangdesign.co/huan-hsin-pre-registration-microsite. Any question without the relevant identification details will not be entertained. The Company will endeavour to respond to substantial and relevant questions received from members during the AGM.

Explanatory Notes on Ordinary Business:

1a. Mr. Hsu Cheng Chien, is the Managing Director of the Company. He will upon re-election as a Director of the Company, continue to serve as the Managing Director of the Company.

1b. Mr. Chew Heng Ching is the Independent Non-executive Director and the Chairman of the Nominating Committee. He is also members of the Audit and Remuneration Committees. He will upon re-election as a Director of the Company, continue to serve as the Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees, respectively.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting 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 or service providers) for the purpose of 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 or service providers) 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 or service providers), 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 or service providers) of the personal data of the member's 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.

PROXY FORM

HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199509142R)

IMPORTANT:
Alternative Arrangements for Annual General Meeting ("AGM")

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No.2) Order 2020. Printed copies of Annual Report for FY2019 and this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the SGX website at the URL https://www.sgx.com/securities/company-announcements
2. **Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
3. **Please read the notes overleaf which contain instructions on, Inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM. Please refer to Note 5 of the AGM Notice for alternative arrangement relating to attendance at the AGM via electronic means.**
4. For investors who have used their CPF monies to buy the shares of Huan Hsin Holdings Ltd, the Annual Report 2019 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
5 CPF or SRS investors who wish to appoint the Chairman of the Meeting as Proxy should approach their respective CPF Agent Banks or SRS Operators **to submit their votes by 5:00 p.m. on June 17, 2020.**
6. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated June 12, 2020.

I/We ______________________________

(*NRIC / Passport / Company Registration No. ____________________) of ____________________

______________________________ being a *Member/Members of the abovenamed Company hereby appoint the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf, at the AGM of the Company, to be convened and held by way of electronic means on Monday, June 29, 2020 at 10:00 a.m. and at any adjournment thereof. *I/We have indicated with an "X" in the appropriate box against each item below how *I/We wish the Chairman of the Meeting as *my/our proxy to vote, or to abstain from voting.

No.	RESOLUTIONS	For	Against	Abstain
	ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statements and Financial Statements for the financial year ended December 31, 2019 and the Auditors' Report thereon.			
2.	To approve Directors' Fees of S$168,000/- for the year ended December 31, 2019. (2018: S$176,000/-).			
3a.	To re-elect Mr Hsu Cheng Chien as a Director. (Last Re-election Date: April 28, 2017).			
3b.	To re-elect Mr Chew Heng Ching as a Director. (Last Re-election Date: April 25, 2016).			
4.	To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this ______________ day of ______________ 2020

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal

* Delete Accordingly

Important

1. **Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   This proxy form for the AGM will be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

2. The Chairman of the Meeting, as proxy, need not be a member of the Company.

3. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Share Registration Office of the Company at Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Share Registration Office of the Company at **srs.teamc@boardroomlimited.com** in either case **not less than 72 hours** before the time appointed for holding the Annual General Meeting.

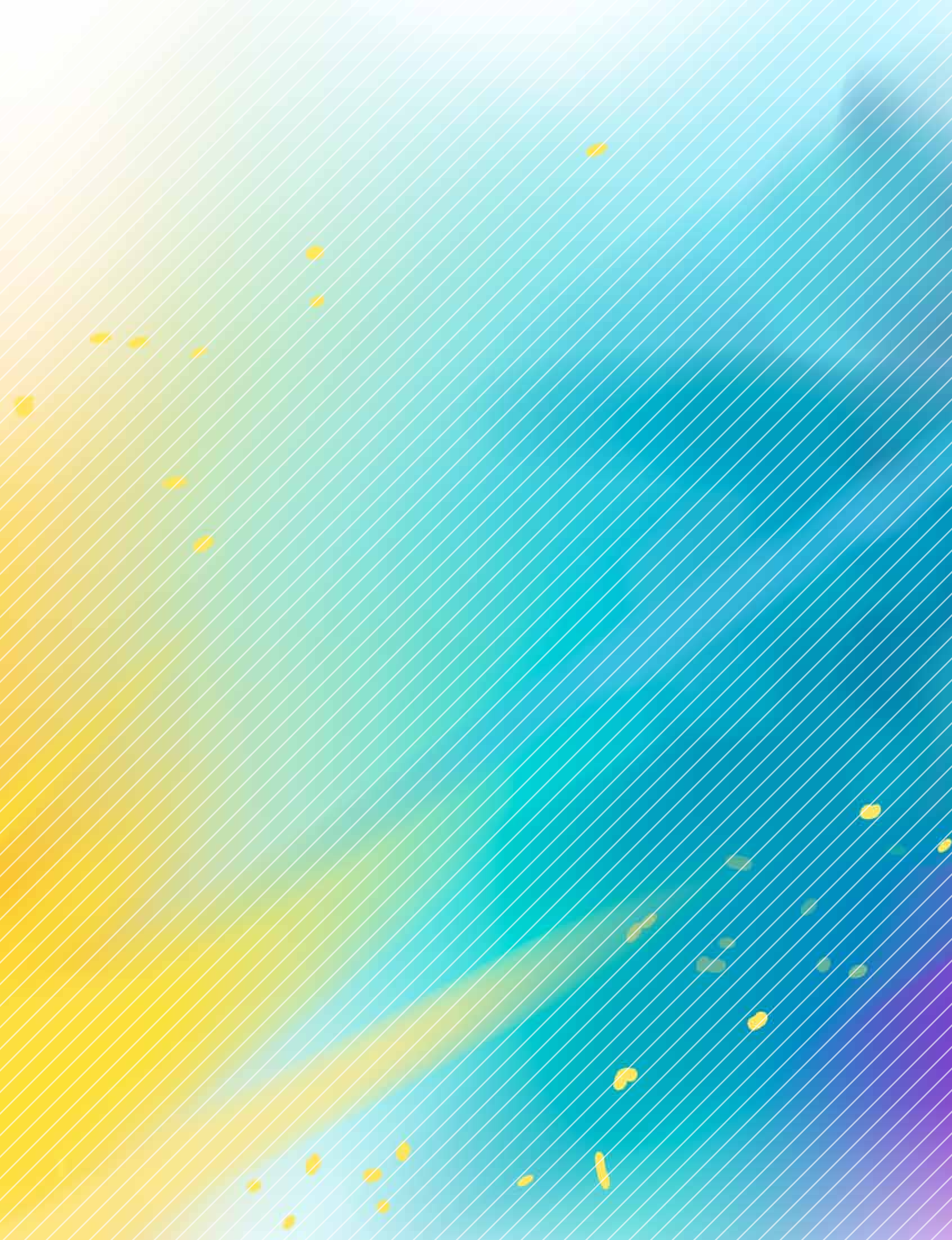
   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

4. This instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.

5. 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.

6. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of Members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such Member 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 CDP to the Company.



HUAN HSIN HOLDINGS LTD
奐鑫控股有限公司

HUAN HSIN HOLDINGS LTD
Company Registration Number 199509142R

77 Robinson Road
#13-00 Robinson 77
Singapore 068896