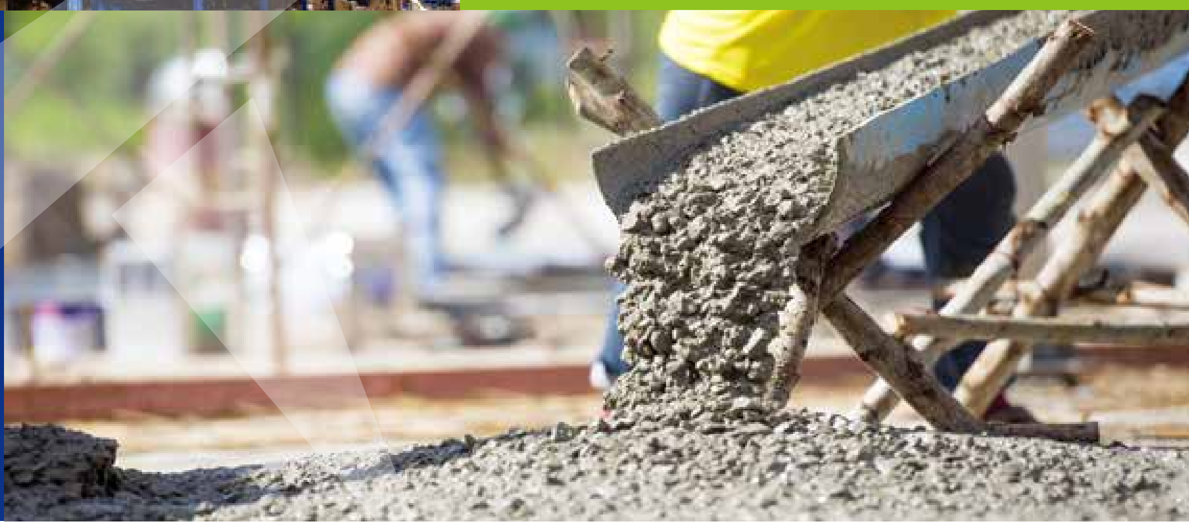
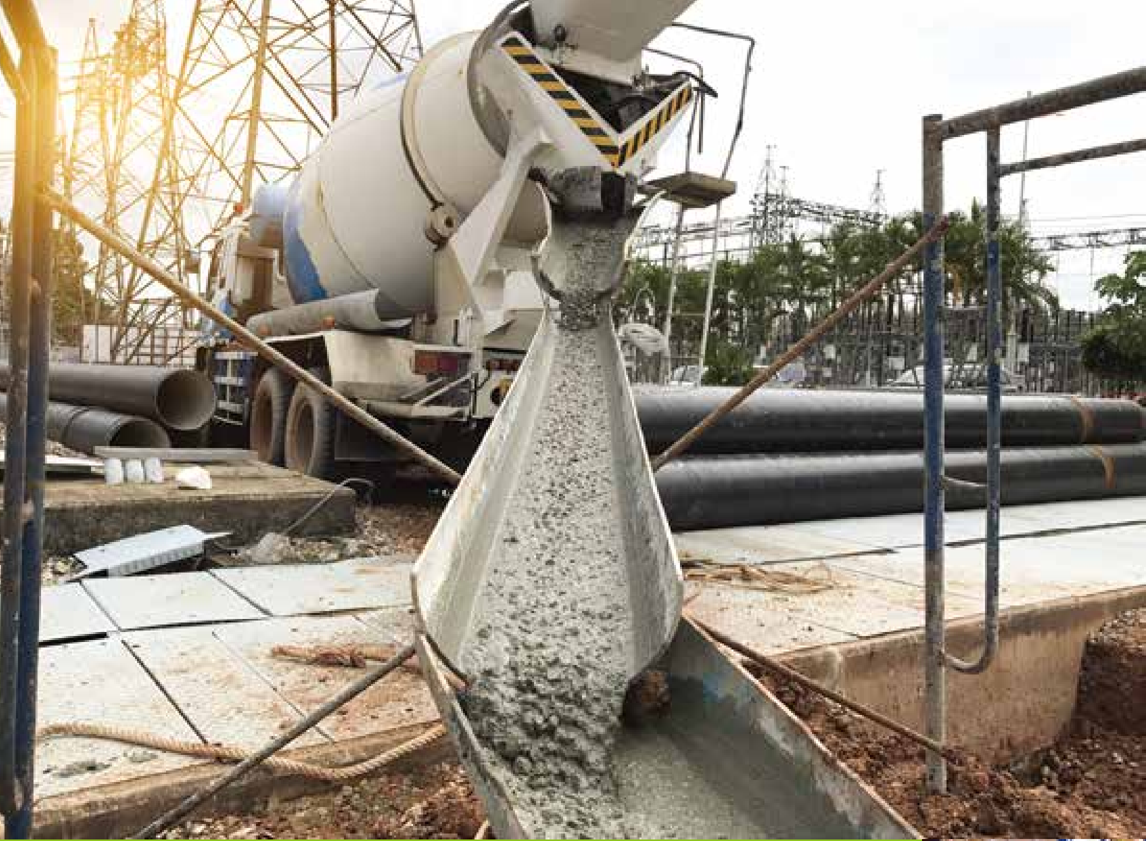
AA GROUP HOLDINGS LTD

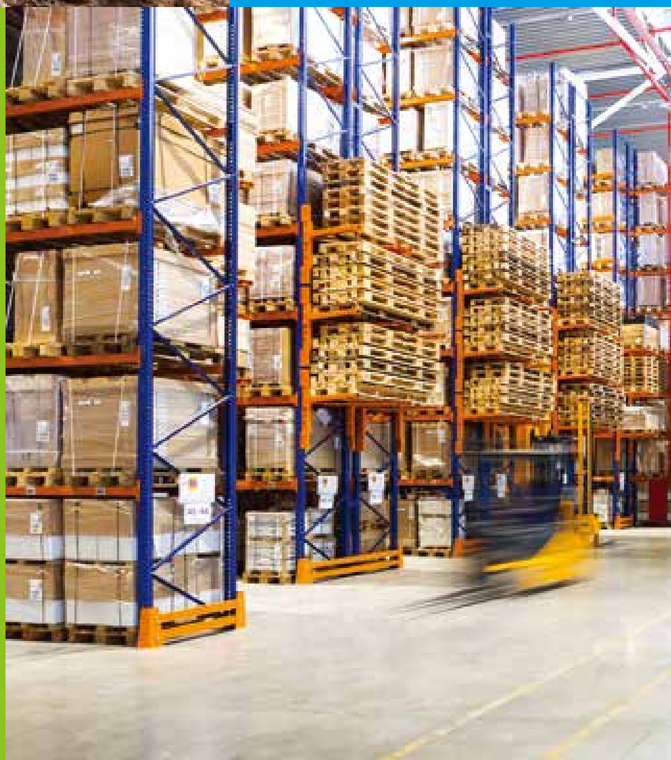
# 2018 ANNUAL REPORT





# Contents





This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com.

# CORPORATE PROFILE

AA Group Holdings Ltd. was listed on the Catalist Board of Singapore Exchange Limited in 2005 with its primary business in the manufacturing and supply of high-precision cold forged loudspeaker parts. In 2017, the Group underwent a transformation as it ventured into new business segments and subsequently divested its initial business. The divestment was completed in January 2018 and the Group now focuses on the new businesses below:

### LEASING AND SERVICE INCOME

Through our purpose-built industrial complex spanning over a land size of 75,000 square metres and a gross floor area of over 53,000 square metres, we provide a one-stop high value-added general warehousing and logistics services, industrial and office space for engineering, manufacturing and industrial training and workers' dormitory facilities. Some of our major clients include NTUC Learning Hub, Space Furniture, UMW Equipment & Engineering, Sunningdale Tech, Germaxco Shipping Agencies and Torishima Service Solutions Asia.

### SUPPLY AND MANUFACTURING OF READY-MIX CONCRETE

We supply ready-mix concrete in Singapore to various customers in the construction and civil engineering sector and the ready-mix concrete is a specialised business whereby very stringent criterion are set. Ready-mix concrete refers to concrete that have been weigh-batched at the batching plant, mixed inside a mixer in the plant itself or in a mechanical concrete mixer mounted on a truck chassis while in transit from the plant. The ready-mix is thus delivered in a "ready-to-use" state to its intended destination and ultimate location at the construction site. The ready-mix concrete industry is a support industry to the construction industry, where the construction industry constitutes one of the main sectors of Singapore's economy.

### MANUFACTURING PRECAST CONCRETE PRODUCTS

We provide value-added and cost competitive manufacturing solutions to the construction sector with various product mix of structural and non-structural precast concrete products, that are suitable for all types of civil and construction works. The concrete products are sold mainly to civil engineering contractors undertaking projects from government ministries and statutory boards for infrastructure works and public housing.

### UNDERGROUND CABLE INSTALLATION AND ROAD REINSTATEMENT SERVICES

We carry out civil and associated works, such as underground cable installation and road reinstatement works, for various customers in the construction and civil engineering sector. Underground cable installation refers to the installation of power cables, auxiliary cables and other accessories under the ground. We are also responsible for ensuring the proper laying of cables and quality of cable joints and branch connections. Road reinstatement refers to the backfilling and reinstatement of road surfaces after any trenching or excavation works. We are also responsible for ensuring that there is sufficient depth of refilling and proper compaction and settlement. We started out by undertaking various jobs obtained through public tenders, and we are currently a Grade L5 registered contractor with the Building and Construction Authority.

# CHAIRMAN'S MESSAGE

## DEAR SHAREHOLDERS

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the financial results of AA Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**") to the shareholders of the Company (the "**Shareholders**").

Following the Group's diversification of business activities in 2017, we have continued to strengthen our position in the construction industry and leasing markets. In December 2018, the Group completed its acquisition of Poh Huat Heng Corporation Pte. Ltd. ("**PHH**"), which not only adds a new revenue stream to the Group, but also provides synergistic and complementary effect to the Company's earlier acquisitions of W&P Corporation Pte. Ltd. ("**WPC**") and W&P Precast Pte. Ltd. ("**WPP**").

The acquisition of PHH is part of the Company's efforts to diversify its core business, based on the Company's diversification of business mandate. Armed with the various businesses acquired over the past two years, the Company will now also focus on enhancing the synergistic and complementary effects in order to improve efficiency and profitability of the Group as a whole.

This corporate strategy of business diversification and growth aims to provide the Shareholders with long-term growth, as it brings in new business opportunities and improves the Group's prospects for the future.

## BUSINESS DIVERSIFICATION AND OUTLOOK

Following the acquisitions of Engineering Manufacturing Services (S) Pte. Ltd. ("**EMS**"), WPP, WPC and PHH in FY2017 and FY2018, the current core businesses of the Group are as follows:

(1) leasing and service income;
(2) manufacturing of precast concrete products;
(3) supply and manufacturing of ready-mix concrete products; and
(4) provision of underground cable installation and road reinstatement services.

Due to the various acquisitions over the past two years, the Group was able to diversify its business portfolio and strengthen its revenue streams. Despite our cautious outlook for the Group's businesses in construction-related materials due to the challenging construction industry and competitive global business environment, we expect a stable revenue stream from the leasing of property and provision of property-related services.

In relation to the Group's current leasing and property-related services, we have also been actively looking for opportunities to develop our plot of land at 60 Benoi Road to generate long term value and future growth. As announced on 14 January 2019, the Company had entered into a Memorandum of Understanding with OneAsia Network (Pte.) Ltd. ("**OneAsia**") to negotiate exclusively for twelve months (or such longer period as agreed from time to time) with regard to any

# CHAIRMAN'S MESSAGE

potential joint venture, investment and/or collaboration for the development of the plot of land at 60 Benoi Road as a data centre and/or for other purposes.

While the Group will continue to face challenges along the way, given our diversified business portfolio and plans to expand into the data centre market, I am optimistic that we will be able to overcome these challenges in the long term.

## FINANCIAL REVIEW

In FY2018, the Group's revenue from continuing operations of approximately S$19.59 million represents a year-on-year growth of 75 %, largely driven by the full year consolidation of revenue from EMS, WPP and WPC. The decrease in other operating income as compared to FY2017 arose mainly because there was a one-off bargain purchase in FY2017 amounting to approximately S$35.51 million arising from the acquisition of EMS, for which there was none in FY2018.

Please refer to the Operations Review and Financial Highlights on pages 4 to 7 of this Annual Report for further information and detail on the Group's financial performance and position in FY2018.

## CORPORATE GOVERNANCE

As part of the Group's culture and business practices, we are committed to maintaining high standards of corporate governance. Please refer to the Corporate Governance Report on pages 13 to 46 of this Annual Report for an outline of the Group's key corporate governance policies.

## APPRECIATION

I would like to take this opportunity to thank my fellow Directors for their valuable advice and contribution to the Group's efforts at business diversification during FY2018. As newly appointed Directors of the Company, Mr Tan Poh Guan and I look forward to participating actively in Board deliberations and working with other Directors to bring the Group to greater heights.

On behalf of the Board, I would also like to thank all key management personnel and staff members of the Group for their hard work and dedication to our business expansion activities, which has and will serve as a foundation for establishing a growing and sustainable business at AA Group Holdings.

We would also like to sincerely thank all our shareholders, customers, vendors and other business partners, and we look forward to your continued support in the years to come.

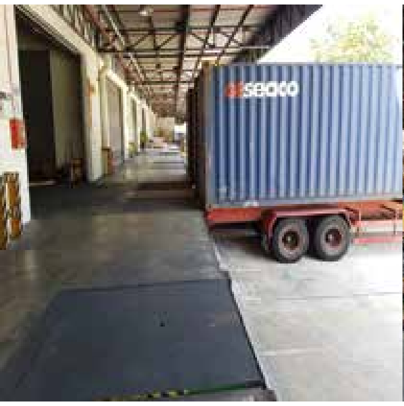
**NG CHUAN HENG**
Non-Executive Chairman

# OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

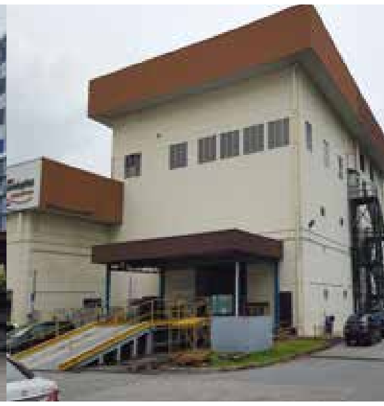
### GROUP FINANCIAL PERFORMANCE

| | FY2018 S$'000 | FY2017 S$'000 | Change % |
|---|---|---|---|
| Continued operations | | | |
| **Revenue** | | | |
| Leasing and service income | 8,991 | 7,637 | 18% |
| Manufacturing of precast concrete products | 2,944 | 886 | 232% |
| Supply and manufacturing of ready-mix concrete products | 7,659 | 2,662 | 188% |
| **Total Revenue** | **19,594** | **11,185** | **75%** |
| Cost of sales | (14,081) | (7,778) | 81% |
| **Gross profit** | **5,512** | **3,407** | **62%** |
| Bargain purchase (a) | – | 35,505 | -100% |
| Gain on disposal of quoted securities (b) | – | 600 | -100% |
| Others (c) | 160 | 210 | -24% |
| Other operating income (a) + (b) + (c) | 160 | 36,315 | -100% |
| Administrative costs | (4,967) | (3,514) | 41% |
| Distribution costs | (1,120) | (471) | 138% |
| Amortisation of intangible assets arising from contractual agreements with customers (1) | (495) | (412) | 20% |
| Others (2) | (1,119) | (13) | 8,508% |
| Other operating costs (1) + (2) | (1,613) | (425) | 280% |
| Finance income | 542 | 170 | 219% |
| Net impairment loss on financial assets | 96 | (441) | -122% |
| Finance costs | (342) | (129) | 165% |
| **(Loss)/profit before income tax** | **(1,732)** | **34,912** | **-105%** |
| Income tax credit/(expense) | 40 | (176) | -123% |
| **(Loss)/profit for the year from continuing operations** | **(1,692)** | **34,736** | **-105%** |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | (4,012) | (5,393) | -26% |
| **Total (loss)/profit for the year** | **(5,704)** | **29,343** | **-120%** |
| Other comprehensive income/(loss), net of income tax | | | |
| - Currency translation differences arising from consolidation | 286 | 241 | 19% |
| - Currency translation differences arising from disposal of a subsidiary | 4,195 | – | n.m |
| **Total comprehensive (loss)/profit for the year** | **(1,223)** | **29,584** | **-104%** |

# OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS







## CONTINUING OPERATIONS

(1) The Group's revenue from continuing operations is mainly in relation to leasing and services income, the supply and manufacturing of ready-mix concrete products, and the manufacturing of precast concrete products, which amounts to approximately S$8.99 million, S$7.66 million and S$2.94 million respectively. The increase in revenue from continuing operations as compared to FY2017, is largely driven by the full year consolidation of revenue from the subsidiaries acquired in FY2017 (i.e. EMS, WPC and WPP).

(2) The Group's cost of sales is mainly in relation to the cost of inventories for supply and manufacturing activities and the depreciation of investment property and property, plant and equipment ("PPE").

(3) The decrease in the Group's other operating income is mainly due to the one-off bargain purchase gain of approximately S$35.51 million arising from the acquisition of EMS in February 2017.

(4) The increase in the Group's administrative expenses is mainly due to the full year consolidation of administrative expenses from the subsidiaries acquired in FY2017.

(5) The Group's distribution costs are mainly in relation to the supply and manufacturing activities of WPC and WPP. The increase in the Group's distribution is mainly due to the full year consolidation of WPC's and WPP's expenses incurred in the upkeep of motor vehicles used in such supply and manufacturing activities.

(6) The Group's other operating expenses arises mainly from the amortisation of intangible assets related to EMS's customer contracts and impairment loss on goodwill.

## DISCONTINUED OPERATIONS

(1) The Group's discontinued operations pertain to the results of Allied Advantage Sdn. Bhd. and its subsidiary ("AASB") and Toko Construction Pte. Ltd. ("Toko Construction") (collectively the "Discontinued Operations"), up to their respective dates of disposal in FY2018. The Group entered into contractual arrangements for the disposal of AASB and Toko Construction in FY2017, which were completed on 31 January 2018 and 21 February 2018 respectively. The Group's loss from discontinued operations is mainly due to the loss from AASB's and Toko Construction's operations amounting to approximately S$4.01 million.

# OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

## GROUP FINANCIAL POSITION

| | FY2018 S$'000 | FY2017 S$'000 | Change % |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 59,527 | 61,562 | -3% |
| Intangible assets | 1,567 | 2,061 | -24% |
| Goodwill | 5,388 | 2,233 | 141% |
| Financial assets, at FVOCI | 150 | – | n.m |
| Financial assets, available for sale | – | 150 | -100% |
| | 66,631 | 66,006 | 1% |
| **Current assets** | | | |
| Inventories | 100 | 90 | 11% |
| Trade and other receivables | 16,446 | 11,526 | 43% |
| Other current assets | 494 | 185 | 167% |
| Cash and bank balances | 3,116 | 2,908 | 7% |
| | 20,156 | 14,709 | 37% |
| Assets directly related to disposal group classified as held for sale | – | 23,678 | -100% |
| | 20,156 | 38,387 | -47% |
| **TOTAL ASSETS** | 86,787 | 104,393 | -17% |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 820 | 1,533 | -47% |
| Hire purchase creditors | 53 | 41 | 29% |
| Deferred tax liabilities | 9,549 | 10,632 | -10% |
| Other liabilities | 648 | 648 | 0% |
| | 11,071 | 12,854 | -14% |
| **Current liabilities** | | | |
| Trade and other payables | 9,613 | 6,240 | 54% |
| Bond payable | – | 7,000 | -100% |
| Bank borrowings | 3,789 | 5,298 | -28% |
| Hire purchase creditors | 51 | 175 | -71% |
| Provision for income tax | 1,698 | 1,604 | 6% |
| | 15,152 | 20,317 | -25% |
| Liabilities directly related to disposal group classified as held for sale | – | 16,142 | -100% |
| | 15,152 | 36,459 | |
| **TOTAL LIABILITIES** | 26,222 | 49,314 | -47% |
| **TOTAL EQUITY** | 60,565 | 55,080 | -10% |

# OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

(1) The Group's PPE constitutes approximately 89.34% of non-current assets, and the decrease in the carrying amount is mainly due to the depreciation of PPE.

(2) The Group's intangible assets are mainly in relation to the customer contracts entered into between EMS and its customers, and the decrease in the carrying amount is mainly due to the recognition of amortisation expenses.

(3) The increase in the Group's goodwill is mainly due to the goodwill arising from the Company's acquisition of PHH in FY2018, which amounts to approximately S$4.26 million.

(4) Financial assets available for sale amounting to approximately S$150,000 as at 31 December 2017 has been re-classified as financial assets at fair value through other comprehensive income as at 31 December 2018.

(5) The increase in the Group's trade and other receivables and other current assets is mainly due to the consolidation of the newly-acquired subsidiary, PHH.

(6) "Assets directly related to disposal group classified as held for sale" and "Liabilities directly related to disposal group classified as held for sale" pertain to the assets and liabilities held by AASB and Toko Construction. The disposals of AASB and Toko Construction were both completely in early 2018.

(7) The increase in the Group's share capital is mainly due to the issuance of shares as part-consideration for the acquisition of PHH and as a result of the exercise of warrants in FY2018.

# BOARD OF DIRECTORS

### NG CHUAN HENG

*Chairman and Non-Executive Director*

Ng Chuan Heng came on board as Non-Executive Non-Independent Chairman on 17 December 2018. He is responsible for leading and ensuring the effectiveness of the Board, including promoting a culture of openness and debate at the Board and facilitating the effective contribution of all Directors. Mr Ng has over four decades of experience in the construction industry, having started off as an apprentice construction worker in the 1970s. Mr Ng's expertise lies in handling the operational aspects of the construction business, having been closely involved (at both his past and present companies) in all the day-to-day activities such as logistics, managing of workers and supervising at the construction sites.

### TAN POH GUAN

*Executive Director*

Tan Poh Guan came on board as Executive Director on 17 December 2018 and is responsible for the overall business development and general management of the Group. Mr Tan has extensive experience in the construction business, having handled various aspects such as planning, operations, overseeing the finances and tendering for projects. He graduated from Ngee Ann Polytechnic with a Diploma in Electrical Engineering and has completed a course on Basic Concept in Construction Productivity Enhancement offered by the Building and Construction Authority (BCA) Academy. In addition to attending the BizSAFE Workshop for CEO/Top Management, he has obtained various certifications relevant to his directorship roles (e.g. on directors' duties and finance for directors).

### LAI CHOONG HON

*Executive Director*

Lai Choong Hon came on board as Executive Director on 18 January 2018, and he is also the Financial Controller of the Group. He joined Engineering Manufacturing Services (S) Pte. Ltd. ("EMS") in 2004 as the Director of Finance, and was responsible for all finance, treasury, reporting and accounting activities in the company. He also took on various responsibilities, which includes tax and HR matters of the company. Prior to joining EMS, he was the Group Financial Controller of Hong Guan Technologies (S) Pte. Ltd. and General Manager of Hong Guan Systems (S) Pte. Ltd. His stint before that was as the Finance Manager of Chartered Semiconductor Manufacturing Ltd. Mr Lai is a member of The Institute of Singapore Chartered Accountants (ISCA). He obtained his degree from the Chartered Institute of Management Accountants (UK) in 1990.

# BOARD OF DIRECTORS

## LEE CHONG YANG

*Lead Independent Director*

Lee Chong Yang was re-designated as Lead Independent Director on 17 December 2018. Mr Lee is the co-founder of MoovPay Global Pte. Ltd., a licensed acquirer payment platform that processes card payments for business-to-business (B2B) and business-to-consumer (B2C) transactions. He was Vice President of ICH-Gemini Pte. Ltd. whereby as a fund manager, he helped various companies to develop their full potential by providing access to international capital markets, offering optimal solutions to capital structure and finding strategic partners to maximize returns. Prior to that he was a successful private banker with UBS AG Singapore and Standard Chartered Private Bank, winning multiple awards. Mr Lee graduated from Nanyang Technological University with a Bachelor of Mechanical and Production Engineering (Honours) and has a Certificate in Private Banking from the Wealth Management Institute and a Private Banking and Wealth Management Diploma from UBS AG.

## AMELIA VINCENT

*Independent Director*

Amelia Vincent joined our Company as an Independent Director on 15 June 2016. Amelia is a reputed finance professional with over two decades of experience gained from various blue-chip multi-national companies. She is currently the Head of Finance for William Grant & Sons' Global Travel Retail project where she provides commercial finance, controls and governance support. Prior to that she was the Finance Director of Diageo for their Asia Pacific Travel Retail business unit and was in charge of strategic and commercial imperatives as well as leading the accounting, control and compliance team. Amelia has also spent 12 years in the technology industry, where she served in various roles of accounting, finance, commercial and strategic planning. She graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) in 1996 and received her CPA in 1999.

Amelia is due for re-appointment as Director at the forthcoming AGM.

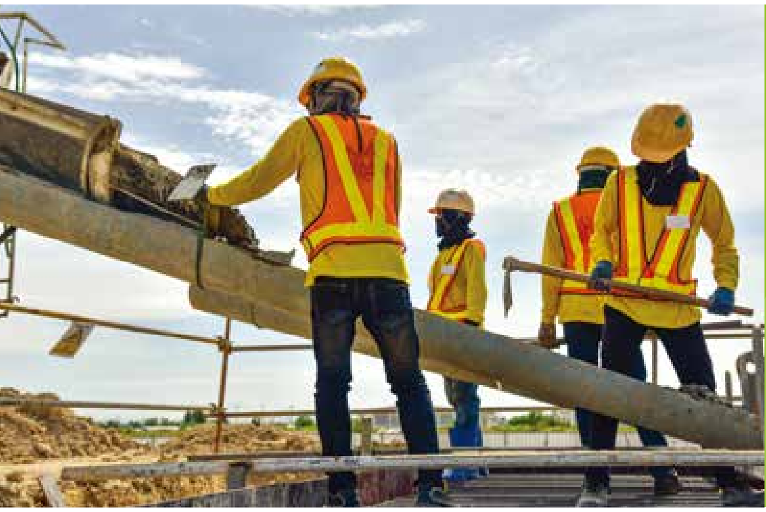
## NG SER CHIANG

*Independent Director*

Ng Ser Chiang joined our Company as an Independent Director on 15 June 2016. Currently, he is a Partner of Elitaire Law LLP, an advocates and solicitors firm in Singapore. He was previously a managing partner of Hameed & Company since February 2002 and a sole-proprietor of the same company from 2004 to 2010. He graduated from the University of Wolverhampton with a Bachelor of Law in 1997 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 2000. His main area of practice is in civil and criminal litigation, corporate law as well as conveyancing. He is also a director of four other Singapore incorporated private companies.

Mr Ng is due for re-appointment as Director at the forthcoming AGM.

# KEY MANAGEMENT



### ERIC SEAN KOO KONG CHEW

Eric Sean Koo Kong Chew is the Executive Director of W&P Precast Pte. Ltd. and W&P Precast Sdn. Bhd. He is responsible for the overall operations, sales and administrative matters of the companies. He graduated from the University of Bradford with a Bachelor of Business & Management (Honours) and also obtained a Graduate Diploma in Marketing from the Chartered Institute of Marketing in United Kingdom (CIMUK). He is currently a grassroots leader holding a Secretary post in Jalan Besar Neighbourhood Council in Kampong Glam (JBNC).

### CHUA KIM HUA

Chua Kim Hua is the Executive Director of W&P Corporation Pte. Ltd., and is responsible for the overall operations, sales and administrative matters of the company. Mr Chua has more than 36 years of management experience in the ready-mix concrete industry, supplying ready-mix concrete products for the construction of residential and commercial buildings. He was responsible for helping the company obtain its ISO certification in 2011 and the Certificate of Conformity based on the new Singapore Standards SS EN 206 in 2017.

### TAN JUN HAO

Tan Jun Hao is the Operations Director of Poh Huat Heng Corporation Pte. Ltd. ("PHH"). He is responsible for liaising with and coordinating the work between internal and external parties, in order to ensure that PHH meets all the relevant deadlines for each of its site projects. He obtained a Diploma in Management Studies from SIM University in 2010.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Ng Chuan Heng**
Chairman, Non-Executive Director

**Lai Choong Hon**
Executive Director

**Tan Poh Guan**
Executive Director

**Lee Chong Yang**
Lead Independent Director

**Amelia Vincent**
Independent Director

**Ng Ser Chiang**
Independent Director

## SHARE REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**
50 Raffles Place
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## SPONSOR

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Singapore 049315
Contact person: Bernard Lui
Tel: +65 6389 3000

## PRINCIPAL BANKER

**United Overseas Bank**
80 Raffles Place
UOB Plaza
Singapore 048624

**OCBC Bank**
65 Chulia Street
OCBC Centre
Singapore 049513

**Maybank**
2 Battery Road
Maybank Tower
Singapore 049907

## AUDIT COMMITTEE

**Amelia Vincent** (Chairman)
**Lee Chong Yang**
**Ng Ser Chiang**

## NOMINATING COMMITTEE

**Ng Ser Chiang** (Chairman)
**Amelia Vincent**
**Lee Chong Yang**

## REMUNERATION COMMITTEE

**Lee Chong Yang** (Chairman)
**Amelia Vincent**
**Ng Ser Chiang**

## COMPANY SECRETARY

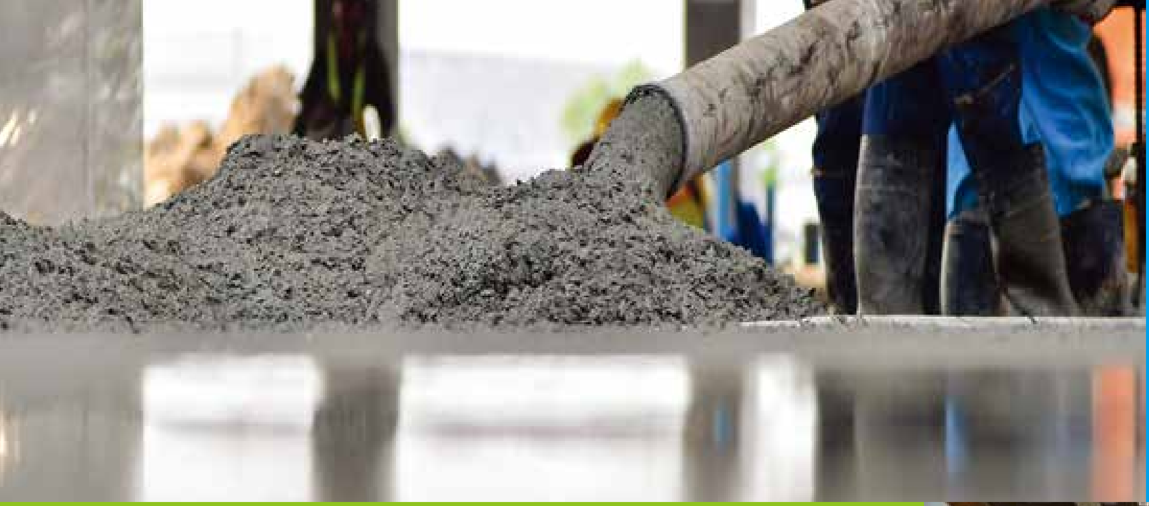
**Quah Tzy Ming Andrew**

## REGISTERED OFFICE

7 Kim Yam Road
Singapore 239323
Tel: +65 6221 3767

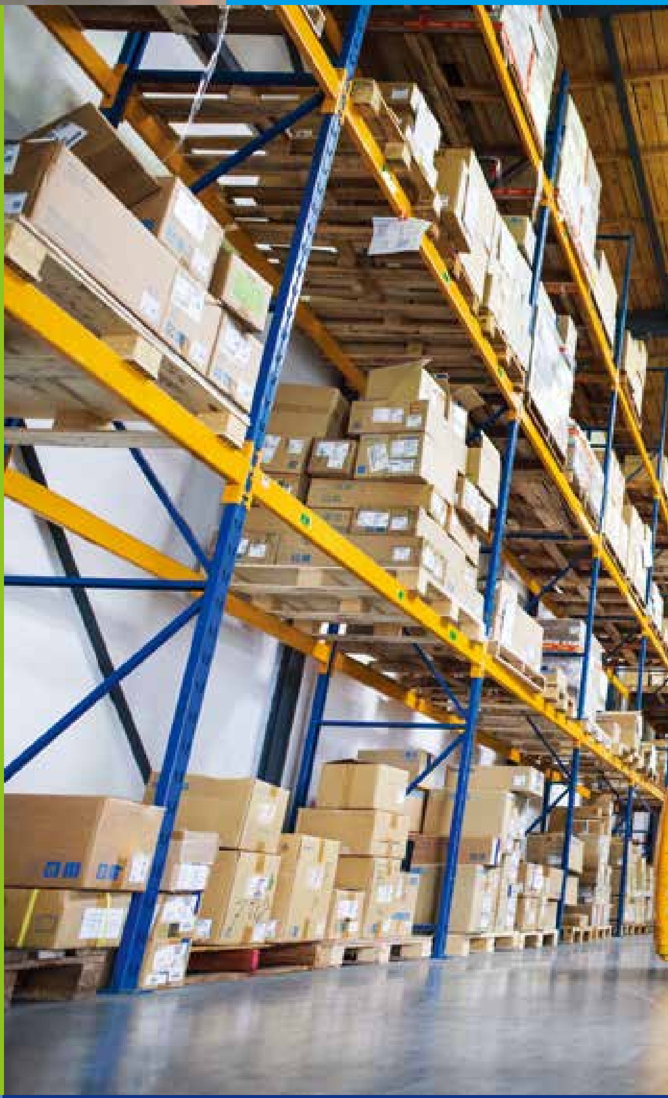
## AUDITORS

**Crowe Horwarth First Trust LLP**
Certified Public Accountants
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Date of Appointment: 21 November 2018
Partner-in-Charge: Alfred Cheong Keng Chuan
(for financial year ended 31 December 2018)



# FINANCIAL **CONTENTS**





# CORPORATE GOVERNANCE **REPORT**

The Board ("**Board**") of Directors ("**Directors**") of AA Group Holdings Ltd. (the "**Company**") and together with its subsidiaries (the "**Group**") is committed to maintain high standards of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders ("**Shareholders**") and promote investors' confidence. This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2018 ("**FY 2018**") with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). Any deviations from the Code are explained.

The Company has complied with the principles and guidelines of the Code where appropriate. The Board notes that the revised Code of Corporate Governance issued on 6 August 2018 (the "**Revised Code**") is only effective from the Company's financial year commencing 1 January 2019, and will endeavour to comply with the Revised Code once it is effective.

## BOARD MATTERS

**The Board's Conduct of its Affairs**

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 1.1 The Board's role is to:<br><br>(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;<br><br>(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;<br><br>(c) review management performance;<br><br>(d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;<br><br>(e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and<br><br>(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation. | The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The Directors as a whole brings a wide range of business, financial and legal experience relevant to the Group.<br><br>The principal functions of the Board, apart from its statutory responsibilities, are to:<br><br>• set and direct the long-term vision and strategic direction of the Group;<br>• review and approve the corporate policies, strategies, budgets and financial plans of the Company;<br>• monitor financial performance, including approval of the half yearly financial reports of the Company;<br>• oversee the business and affairs of the Company, establish, with the Management, the strategic and financial objectives to be implemented by the Management and monitor the performance of the Management;<br>• approve major funding decisions, material interested party transactions and all strategic matters;<br>• review the process of evaluating the adequacy of internal controls, risk management and compliance;<br>• identify the key stakeholder groups and recognise how their perceptions affect the Company's reputation;<br>• set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and<br>• consider sustainability issues (e.g. environmental and social factors) in the formulation of its strategies.<br><br>As at the date of this report, the Board comprises six (6) Directors: one (1) non-executive, non-independent chairman of the Board, two (2) executive directors, one (1) lead independent director and two (2) independent directors. They are:<br><br>Ng Chuan Heng — Chairman of the Board and Non-Executive Director<br>Tan Poh Guan — Executive Director<br>Lai Choong Hon — Executive Director<br>Lee Chong Yang — Lead Independent Director<br>Amelia Vincent — Independent Director<br>Ng Ser Chiang — Independent Director |

# CORPORATE GOVERNANCE **REPORT**

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the company.</td><td> Every Director, in the course of carrying out his/her duties, acts in good faith, provides insights and considers at all times, the interests of the Company. Directors that are in conflict of interest with the Company, whether actual or potential, are required to recuse themselves from discussions and abstain from voting on the matter. In order to address and manage conflicts of interest, Directors are required to promptly declare any conflict of interest at a Board meeting or by written notification to the company secretary (the “Company Secretary”). In addition, the Company has in place procedures for Directors to give general notice of any interests in any corporation or firm, in order to anticipate possible conflicts of interest between the Director and the Group. This procedure is conducted upon appointment and annually, prompting Directors to update any change in interests and/or confirm its previous disclosures. </td></tr>
<tr><td>1.3 The Board may delegate the authority to make decisions to any Board committee but without abdicating its responsibility. Any such delegation should be disclosed.</td><td> In order for the Board to efficiently provide strategic oversight over the Company and discharge its responsibilities more efficiently, the Board delegates specific functions to three board committees (the “Board Committees”), namely the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). Each Board Committee operates within clearly defined terms of reference, which includes the terms, composition, responsibilities and functional procedures of each committee. Each of these committees reports its activities regularly to the Board so that other Directors are kept updated as to the proceedings and matters discussed during such meetings. For specific agendas mandated to the Board Committees, the Board Committees will make recommendations to the Board for its approval and adoption at the Board level. </td></tr>
<tr><td>1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. Companies are encouraged to amend their articles of association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings, should be disclosed in the company’s annual report.</td><td> The Board meets regularly on a half-yearly basis and additional ad-hoc meetings may be held where circumstances require. The Company’s constitution (the “Constitution”) provides for meetings of the Directors to be held via telephone-conference, video-conference or similar communication equipment. The Board also approves resolutions by way of written resolutions, which are circulated to the Board together with all relevant information regarding the proposed matter. Dates of Board and Board Committees meetings are scheduled in advance in consultation with all of the Directors. The number of Board and Board Committee meetings and the record of attendance of each Director during FY2018 are set out in the table below:
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Position</th><th colspan="4">Number of meetings attended / Number of meetings held</th></tr>
<tr><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td colspan="6">Current Directors</td></tr>
<tr><td>Ng Chuan Heng (1)</td><td>Chairman of the Board, Non-Executive Director</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Tan Poh Guan (2)</td><td>Executive Director</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Lai Choong Hon</td><td>Executive Director, Financial Controller</td><td>2/2</td><td>2/2</td><td>1/1*</td><td>1/1*</td></tr>
<tr><td>Lee Chong Yang (3)</td><td>Lead Independent Director</td><td>2/2</td><td>2/2</td><td>1/1*</td><td>1/1*</td></tr>
<tr><td>Amelia Vincent</td><td>Independent Director</td><td>2/2</td><td>1/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Ser Chiang</td><td>Independent Director</td><td>2/2</td><td>2/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td colspan="6">Past Directors</td></tr>
<tr><td>Yau Woong Foong (4)</td><td>Executive Director</td><td>2/2</td><td>2/2*</td><td>1/1*</td><td>1/1*</td></tr>
</table>
* By Invitation </td></tr>
</table>

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| | Note:<br>(1) Mr Ng Chuan Heng was appointed to the Board on 17 December 2018 after the Board and Board Committee Meetings held in FY2018.<br>(2) Mr Tan Poh Guan was appointed to the Board on 17 December 2018 after the Board and Board Committee Meetings held in FY2018.<br>(3) Mr Lee Chong Yang was appointed as Chairman of the RC, member of the AC and member of the NC on 26 February 2018. He was re-designated from his appointment as Chairman of the Board to Lead Independent Director on 17 December 2018. He is still the Chairman of the RC, member of the AC and member of the NC following this re-designation.<br>(4) Mr Yau Woon Foong resigned as Executive Director on 31 December 2018. |
| 1.5 Every company should prepare a document with guidelines setting forth:<br>(a) the matters reserved for the Board's decision; and<br>(b) clear directions to Management on matters that must be approved by the Board.<br><br>The types of material transactions that require Board approval under such guidelines should be disclosed in the company's annual report. | Directors are involved in the supervision of the management of the Group's operations. The Company has internal guidelines and approval limits for operational, financial and capital expenditure requirements. Under these guidelines, the matters which specifically require the Board's decision or approval are those involving:<br>• corporate strategy and business plan;<br>• investment and divestment proposals;<br>• funding decisions of the Group;<br>• nominations of Directors comprising the Board and appointment of key personnel;<br>• half year and full year financial results for announcements, the annual report and accounts;<br>• issuance of new shares;<br>• material acquisitions and disposal of assets; and<br>• all matters of strategic importance. |
| 1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties as a director and how to discharge those duties, and include an orientation programme to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director[1] in areas such as accounting, legal and industry-specific knowledge as appropriate.<br><br>It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations, and changing commercial risks, from time to time.<br><br>The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's annual report the induction, orientation and training provided to new and existing directors. | Appropriate training/briefing will be provided for new Directors who have no prior experience as Directors of a listed company in Singapore to be familiar with their duties as a Director and how to discharge such duties as a Director. All newly-appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group.<br><br>To enable the Directors to gain a better understanding of the Group's business, the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with the management.<br><br>Directors are also given opportunity to visit the Group's operational facilities and meet with management staff. Where necessary, the Directors will be updated on new legislation and/or regulations which are relevant to the Group.<br><br>As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. The Directors are updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and other statutory and regulatory requirements from time to time, to enable them to make well-informed decisions and to ensure that they are competent in carrying out their expected roles and responsibilities.<br><br>The Company is responsible for arranging and funding the training of Directors. The Company will arrange for Directors to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company also works closely with professionals to provide its Directors with updates in changes to relevant laws, regulations and accounting standards. |

[1] The term "first-time director" shall refer to a director who has no prior experience as a director of a listed company.

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| 1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations. | Incoming Directors will also be provided with a formal letter setting out their duties and obligations. |

**Board Composition and Guidance**

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders[2]. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

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| 2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board. | The Company endeavours to maintain a strong and independent element on the Board. The strong independent element on the Board enables the Management to benefit from external diverse and objective perspective of issues raised.<br><br>As at the date of this report, the Board comprises the following Directors:<br><br>***Chairman of the Board***<br>Mr Ng Chuan Heng — Non-Executive Non-Independent Chairman<br><br>***Executive Directors***<br>Mr Lai Choong Hon — Executive Director<br>Mr Tan Poh Guan — Executive Director<br><br>***Independent Directors***<br>Mr Lee Chong Yang — Lead Independent Director<br>Ms Amelia Vincent — Independent Director<br>Mr Ng Ser Chiang — Independent Director |
| 2.2 The independent directors should make up at least half of the Board where:<br><br>(a) the chairman of the Board and the CEO (or equivalent) is the same person;<br><br>(b) the chairman and the CEO are immediate family[3] members;<br><br>(c) the chairman is part of the Management team; or<br><br>(d) the chairman is not an independent director. | The Board is of the view that the Chairman of the Board, Mr Ng Chuan Heng, is not an independent director as he is a substantial Shareholder holding more than 10% (i.e. 12.12%) in the share capital of the Company.<br><br>However, as the Independent Directors make up at least half of the Board during all material times, there is a strong independent element on the Board, thereby allowing the Board to exercise objective judgment independently of the Management. |

[2] The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

[3] The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the "Listing Manual"), i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

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| 2.3 An independent director is one who has no relationship with the company, its related corporations[4], its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's annual report each director it considers to be independent.<br><br>The Board should determine, taking into account the views of the NC, whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Directors should disclose to the Board any such relationship as and when it arises. The Board should state its reasons if it determines that a director is independent, notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including the following:<br><br>(a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;<br><br>(b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee;<br><br>(c) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for Board service; | The NC is responsible for reviewing the independence of each Director on an annual basis. Each Independent Director is required to complete a declaration form to confirm his/her independence based on the guidelines provided in the Code.<br><br>All the Board Committee meetings are chaired by the Independent Directors. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its officers, its Shareholders with shareholding of at least 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.<br><br>The Board, with the concurrence of the NC, has reviewed the respective confirmations and declarations of the Independent Directors, namely Mr Lee Chong Yang, Ms Amelia Vincent and Mr Ng Ser Chiang, and after taking into account their respective working experience and contributions, the Board is satisfied that each of them is independent in character and judgement.<br><br>Given their independence, respective wealth of business and working experience and professionalism in carrying out their duties, the NC had found each of Mr Lee Chong Yang, Ms Amelia Vincent and Mr Ng Ser Chiang suitable to continue to act as independent directors of the Company.<br><br>The Board has accepted the NC's recommendation that each of Mr Lee Chong Yang, Ms Amelia Vincent and Mr Ng Ser Chiang be considered independent. Each of Mr Lee Chong Yang, Ms Amelia Vincent and Mr Ng Ser Chiang has abstained from deliberating on their respective independence. |

4 The term "related corporation", in relation to the company, shall have the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

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| (d) a director:<br><br>(i) who, in the current or immediate past financial year, is or was; or<br><br>(ii) whose immediate family member, in the current or immediate past financial year, is or was,<br><br>a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year.<br><br>As a guide, payments[5] aggregated over any financial year in excess of S$200,000 should generally be deemed significant;<br><br>(e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or<br><br>(f) a director who is or has been directly associated with[6] a 10% shareholder of the company, in the current or immediate past financial year.<br><br>The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a director to be not independent. If the Board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent. | |

[5] Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

[6] A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

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| 2.4 | The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent. | None of the Independent Directors has served on the Board beyond 9 years from the respective date of their first appointment. |
| 2.5 | The Board should examine its size, and with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Board should not be so large as to be unwieldy. | The Board, through the NC, has examined its size (taking into account the scope and nature of the operations of the Company and recommendations in the Code) and is of the view that its current Board size of six Directors is an appropriate size for effective decision-making. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.<br><br>In making its recommendation to the Board for the appointment of new Directors, the NC takes into account factors such as knowledge and experience of directors, complementary skills, core competencies and experience within the Board and the balance of executive directors and independent directors. |
| 2.6 | The Board and its Board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or Management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. | The NC has considered the diversity of the Board and is of the view that there is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity of skills and experience in accounting, finance, business, management, industry knowledge and strategic planning aspects. Details of the Board members' qualifications and experience are set out in pages 8 to 9 of this Annual Report.<br><br>Members of the Board are constantly communicating with Management to provide advice and guidance on matters affecting the affairs and business of the Group, resulting in effective management of the Group's business and operations. |
| 2.7 | Non-executive directors should:<br><br>(a) constructively challenge and help develop proposals on strategy; and<br><br>(b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. | The Independent Directors will constructively challenge and assist in the development of proposals on strategy and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Their views and opinions will provide alternative perspectives to the Group's business. When challenging the Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. |
| 2.8 | To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management. | When necessary, the Independent Directors will have discussions among themselves without the presence of Management. |

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**Chairman and Chief Executive Officer**

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

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| 3.1 The chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the chairman and the CEO if they are immediate family members. | Presently, there is no person holding the position of chief executive officer ("**CEO**") in the Company as the Board is of the view that the current Board composition, consisting of two Executive Directors out of six Directors on the Board, is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Chairman and the two Executive Directors are separate persons and are not immediate family members, allowing for greater balance of power, accountability and capacity for independent decision making.<br><br>Furthermore, the Board is of the view that there is a strong independent element on the Board to enable exercise of objective judgment of corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the Group's affairs and operations. |
| 3.2 The chairman should:<br><br>(a) lead the Board to ensure its effectiveness on all aspects of its role;<br><br>(b) set its agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;<br><br>(c) promote a culture of openness and debate at the Board;<br><br>(d) ensure that the directors receive complete, adequate and, timely information;<br><br>(e) ensure effective communication with shareholders;<br><br>(f) encourage constructive relations within the Board and between the Board and Management;<br><br>(g) facilitate the effective contribution of non- executive directors in particular; and<br><br>(h) promote high standards of corporate governance.<br><br>The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a chairman. | In the period from 23 February 2018 to 17 December 2018, Mr. Lee Chong Yang was the Chairman of the Company. As the Chairman, he was primarily responsible for overseeing the overall management and strategic development of the Group. He scheduled Board meetings as and when required and set the agenda for the Board meetings. In addition, the Chairman is responsible in ensuring that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete, adequate and timely information, encouraging a culture of openness and constructive relations within the Board and between the Board and Management, and facilitating the effective contribution of Independent Directors.<br><br>On 17 December 2018, Mr Ng Chuan Heng was appointed as Non-Executive Non-Independent Chairman of the Board following the re-designation of Mr Lee Chong Yang from his appointment as Chairman of the Board to Lead Independent Director. He will lead the Board in adhering to the Code and maintaining a high standard of corporate governance with the full support of the Directors and Management. |

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| 3.3 Every company should appoint an independent director to be lead independent director where:<br><br>(a) the chairman and the CEO is the same person;<br><br>(b) the chairman and the CEO are immediate family members;<br><br>(c) the chairman is part of the Management team; or<br><br>(d) the chairman director is not an independent director<br><br>The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate. | In the period from 23 February 2018 to 17 December 2018, the Board had not appointed any Lead Independent Director on the Board as the Chairman of the Board at the time, Mr Lee Chong Yang, was also an Independent Director.<br><br>On 17 December 2018, Mr Ng Chuan Heng was appointed as a non-independent Chairman of the Board – being non-independent because he is a substantial Shareholder holding more than 10% (i.e. 12.12% ) in the share capital of the Company, and Mr Lee Chong Yang was re-designated as the Lead Independent Director of the Board. As the Lead Independent Director, Mr Lee Chong Yang will be available to Shareholders of the Company when they have concerns and for which contact through the normal channels of the Non-Independent Chairman has failed to resolve or is inappropriate. |
| 3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the chairman after such meetings. | The Independent Directors meet among themselves where necessary and provide feedback to the Board and Management after such meetings, where appropriate. |

**Board Membership**

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

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| 4.1 The Board should establish a NC to make recommendations to the Board on all Board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least 3 directors, a majority of whom, including the NC chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's annual report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board. | As at the date of this report, the NC comprises the following members, all of whom are Independent Directors:<br><br>Mr Ng Ser Chiang — Chairman<br>Ms Amelia Vincent — Member<br>Mr Lee Chong Yang — Member<br><br>The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments, and its principal terms of reference are set out below. |

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| 4.2 The NC should make recommendations to the Board on relevant matters relating to:<br><br>(a) the review of Board succession plans for directors, in particular, the chairman and for the CEO;<br><br>(b) the development of a process for evaluation of the performance of the Board, its Board committees and directors;<br><br>(c) the review of training and professional development programs for the Board; and<br><br>(d) the appointment and re-appointment of directors (including alternate directors, if applicable).<br><br>Important issues to be considered as part of the process for the selection, appointment and reappointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.<br><br>All directors should be required to submit themselves for re-nomination and reappointment at regular intervals and at least once every three years. | The principal terms of reference for the NC are:<br><br>• to review nominations for the appointment and re-appointment to the Board and the various committees, having regard to the Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including as an Independent Director;<br>• to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and its Board Committees, and the contribution of each individual Director;<br>• to decide, where a Director has multiple board representations and other principal commitments, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;<br>• to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;<br>• to determine on an annual basis whether or not a Director is independent;<br>• to review of Board succession plans for Directors; and<br>• to review of training and professional development programmes for the Board.<br><br>Regulation 107 of the Constitution requires one-third of the Directors to retire from office at each Annual General Meeting of the Company ("**AGM**") and all Directors to retire from office at least once every three years. It is also provided in the Constitution that the Directors appointed by the Board during the course of the year must retire and submit themselves for re-election at the next AGM of the Company following their appointments.<br><br>Ms. Amelia Vincent and Mr. Ng Ser Chiang, comprising one-third of the Directors and being in office for almost three years since their date of appointment on 15 June 2016, will be retiring at and will be submitting themselves for re-election at the forthcoming AGM pursuant to the Constitution. After assessing their past contributions and performance in FY2018, the NC has recommended, and the Board has adopted the recommendation, that the both of them be re-elected as Directors of the Company. |
| 4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in guideline 2.3 or guideline 2.4, and should similarly provide its views to the Board for the Board's consideration. | The NC has assessed the independence of Mr Lee Chong Yang, Ms Amelia Vincent and Mr Ng Ser Chiang, and is satisfied that there are no relationships which would deem them not to be independent. Each member of the NC shall abstain from voting on any resolutions in respect to his/her re-appointment as a Director. |

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| 4.4 When a director has multiple Board representations, he must ensure that sufficient time and attention is given to the affairs of each company.<br><br>The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company Board representations and other principal commitments[7] Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple Boards. The Board should determine the maximum number of listed company Board representations which any director may hold, and disclose this in the company's annual report. | When a Director has multiple board representations and other principal commitments, the NC considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC has determined that as a general rule, the maximum listed company board representation that an Independent Director can hold, whether the company is listed in Singapore or elsewhere, is five (5) or any other number as determined by the NC on a case-by-case basis.<br><br>As at the date of this report, none of the Directors hold more than five (5) listed company board representations. The NC is of the opinion that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company. The NC is satisfied that the respective Directors have been carrying out their duties appropriately. |
| 4.5 The Board should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director. | The Company does not have alternate directors. |
| 4.6 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's annual report. This should include disclosure on the search and nomination process. | When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. In its search and nomination process for new Directors, the NC may consider candidates proposed by Directors and Management or seek assistance from external search consultants. Subsequent to the review of their curriculum vitae, qualifications and experience and expertise, selected candidates will be recommended to the Board for approval.<br><br>In recommending a Director for re-appointment to the Board, the NC considers each of their contribution and performance of duties, including attendance and participation at Board and Board Committees meetings and the time and efforts accorded to the Group's business and affairs.<br><br>Each NC member will abstain from voting on any resolution in respect of the assessment of his/her performance and contribution for re-nomination as a Director of the Company. |

[7] The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company Board representations and directorships and involvement in non-profit organisations. Where a director sits on the Boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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4.7 Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, Board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, should be disclosed in the company's annual report.<br><br>
In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:<br><br>
(a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;<br><br>
(b) a separate list of all current directorships in other listed companies; and<br><br>
(c) details of other principal commitments.
</td><td>
Key Information regarding the Directors, such as academic and professional qualifications, board committees served on (as a member or chairman) and whether they are executive, non-executive or independent, are set out on pages 8 to 11 of this Annual Report.<br><br>
The date of first appointment and last re-appointment for each of the Directors are set out below:<br><br>
<table>
<tr><th>Name</th><th>Date of initial appointment</th><th>Date of last re-appointment</th></tr>
<tr><td>Ng Chuan Heng</td><td>17 December 2018</td><td>–</td></tr>
<tr><td>Tan Poh Guan</td><td>17 December 2018</td><td>–</td></tr>
<tr><td>Lai Choong Hon</td><td>18 January 2018</td><td>30 May 2018</td></tr>
<tr><td>Lee Chong Yang</td><td>23 February 2018</td><td>30 May 2018</td></tr>
<tr><td>Amelia Vincent</td><td>15 June 2016</td><td>27 April 2017</td></tr>
<tr><td>Ng Ser Chiang</td><td>15 June 2016</td><td>27 April 2017</td></tr>
</table>
<br>
The directorships in other listed companies, both present and those held over the preceding 3 years, and other principal commitments for each of the Directors are set out below:<br><br>
<table>
<tr><th>Name of Director</th><th>Directorship in Other Listed Companies</th><th>Directorship in Other Listed Companies (past 3 years)</th><th>Other Principal Commitments</th></tr>
<tr><td>Ng Chuan Heng</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Tan Poh Guan</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Lai Choong Hon</td><td>Epicentre Holdings Limited</td><td>Nil</td><td>Financial Controller, AA Group Holdings Ltd.</td></tr>
<tr><td>Lee Chong Yang</td><td>Sincap Group Limited</td><td>Nil</td><td>Co-Founder and Head of Regional Business Development, MoovPay Global Pte Ltd</td></tr>
<tr><td>Amelia Vincent</td><td>Nil</td><td>Nil</td><td>Head of Finance, William Grant and Sons Pte. Ltd.</td></tr>
<tr><td>Ng Ser Chiang</td><td>Nil</td><td>Nil</td><td>Partner, Elitaire Law LLP</td></tr>
</table>
<br>
Ms Amelia Vincent and Mr Ng Ser Chiang will be retiring and submitting themselves for re-appointment at the forthcoming AGM. There is no change to their responses to the Appendix 7F Declarations as announced in their respective initial appointment announcements dated 15 June 2016 (“Initial Appointment Announcement”), except as disclosed below:<br><br>
• in a subsequent update announcement dated 16 June 2016 (“Subsequent Update Announcement”), the Company disclosed that Amelia and Mr Ng were appointed as AC Chairman and NC Chairman, respectively, with effect from 15 June 2016; and<br>
• in addition to the list of present directorships disclosed in Mr Ng's Initial Appointment Announcement, Mr. Ng is currently also a director of Emergo Solutions Pte. Ltd.<br><br>
The Initial Appointment Announcements and Subsequent Update Announcement referred to above will be made available to Shareholders upon request.
</td></tr>
</table>

**Board Performance**

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.**

| Guidelines of the Code | Corporate Governance Report |
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| 5.1 Every Board should implement a process to be carried out by the 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. The Board should state in the company's annual report how the assessment of the Board, its Board committees and each director has been conducted.<br><br>If an external facilitator has been used, the Board should disclose in the company's annual report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's annual report. | The Board has adopted the process and objective performance criteria proposed by the NC, to implement an annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each individual Director to the effectiveness of the Board.<br><br>The assessment is generally conducted by requesting each individual Director to complete evaluation questionnaires. Each individual Director completes an evaluation questionnaire assessing the Board as a whole and the individual Directors. In addition, Directors who are also Board committee members are required to complete the relevant evaluation questionnaire for each committee that they are a member of. The Chairman of the NC collates the results of these evaluation forms and discusses the results collectively with other NC members to address any areas for improvement and, where appropriate, obtain approval from the Board for implementation.<br><br>Such performance evaluation exercise was conducted for FY2018 and findings were analysed with a view to further enhance the effectiveness of the Board. This evaluation exercise provides an opportunity to obtain feedback from each Director on whether the Board's procedures and processes have allowed him/her to discharge his/her duties and to propose changes to enhance Board's effectiveness.<br><br>No external facilitator had been appointed by the Board for this purpose. |
| 5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision. | The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which addresses the level of participation, attendance at Board and Board committees' meetings, the individual Director's functional expertise, and how the Board has enhanced long-term shareholders' value.<br><br>The performance criteria approved by the Board addresses how the Board has enhanced long term shareholders value, and are not changed from year to year. If circumstances deem it necessary for any of the criteria to be changed, the Board will have to propose the changes and justify its decisions.<br><br>The performance evaluation exercise carried out for FY2018 covers the following areas –<br><br>(i) Board composition;<br>(ii) Board information;<br>(iii) Board process;<br>(iv) Board accountability; and<br>(v) Standards of Conduct. |

# CORPORATE GOVERNANCE **REPORT**

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| 5.3 Individual evaluation should aim 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). The chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors. | The NC has reviewed the overall performance of the Board and Board Committees in terms of their role and responsibilities and the conduct of their affairs, based on the performance evaluation exercise carried out for FY2018. The assessment on each Director's contribution and commitment of the role includes consideration of his/her attendance and participation at Board and/or Board Committees meetings and time and effort spent on the Company's affairs.<br><br>Through the evaluation exercise and assessment of each Director's contribution, the NC is of the view that the performance of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board has been satisfactory.<br><br>Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director. |

**Access to Information**

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

| Guidelines of the Code | Corporate Governance Report |
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| 6.1 The Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by the Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to the Management.<br><br>Directors are entitled to request from the Management and should be provided with such additional information as needed to make informed decisions. The Management shall provide the same in a timely manner. | The Board is provided with timely, complete and adequate information prior to Board meetings and as and when the need arises. The Board is kept updated on the Group's operations and performance on an on-going basis, through Board Papers, resolutions in writing, electronic communications or informal discussions.<br><br>The Board has separate and independent access to Management (where further enquiries may be required in order for the particular Director to carry out his/her duties properly). Requests for the Company's information by the Board are dealt with by the Management promptly. |
| 6.2 Information provided should include Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained. | The Company recognises the importance of the flow of information for the Board to discharge its duties effectively.<br><br>Prior to Board meetings involving any special business to be discussed, Management will provide detailed Board papers together with related materials and background or explanatory information. This may include financial statements, budgets, forecasts and progress reports of the Group's business operations, for the Board to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.<br><br>During the Board's half year meetings, Management will provide half-year financial statements of the Group. Any material variance between the actual results and the budgets will be explained to the Board at the relevant time. |

| Guidelines of the Code | Corporate Governance Report |
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| 6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between the Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all Board meetings. | The Directors have separate and independent access to the Company Secretary.<br><br>The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with on an ongoing basis. The Company Secretary also assists on governance matters from time to time, especially when there are changes to the Board composition.<br><br>The Company Secretary facilitates information flows within the Board and between the Management and Non-Executive Directors. The Secretary attends all Board and Board Committees meetings and after every such meeting, minutes of meetings are circulated to Directors and Management to keep them informed of matters discussed at each meeting. In between Board meetings, the Secretary is responsible for the circulation of Board resolutions in writing, Board papers and other information and/or documents within the Board and between Management and Non-Executive Directors. |
| 6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole. | The appointment and the removal of the Company Secretary are subject to the approval of the Board as a whole. |
| 6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense. | Each member of the Board has direct access to the Group's independent professional advisors, concerning any aspect of the Group's operations or undertakings in order to fulfil his/her duties and responsibilities. Any cost for obtaining professional advice will be borne by the Company. |

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

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| 7.1 The Board should establish a RC with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's annual report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board. | As at the date of this report, the RC comprises entirely Independent Directors and the members of the RC are:<br><br>Mr Lee Chong Yang — Chairman<br>Ms Amelia Vincent — Member<br>Mr Ng Ser Chiang — Member<br><br>The duties of the RC are:<br><br>• to recommend to the Board a general framework of remuneration for Board members and key management personnel;<br>• to determine specific remuneration packages for each Director as well as for the key management personnel. The RC's recommendations are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and senior management's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits in kind are covered by the RC; |

# CORPORATE GOVERNANCE **REPORT**

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| | • to determine the appropriateness of the remuneration of Non-executive Directors taking into account factors such as effort and time spent, and their responsibilities;<br>• to review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;<br>• to consider the disclosure requirements for Directors' and key executives' remuneration as required by the SGX-ST;<br>• to review and recommend the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel;<br>• to review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel; and<br>• to carry out such other duties as may be agreed to by the RC and the Board. |
| 7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key Management personnel[8]. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key Management personnel. The RC's recommendations should be submitted for endorsement by the entire Board.<br><br>The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits in kind. | The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors and key management personnel. The overriding principle is that no Director should be involved in deciding his/her own remuneration.<br><br>The RC recommends to the Board for endorsement, a framework of compensation that covers aspects of remuneration including Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholder value.<br><br>No Director is involved in deciding his/her own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis. |
| 7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.<br><br>The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company. | In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise.<br><br>No external facilitator had been engaged by the Board for advice and remuneration matters for FY2018. |

[8] The term "key Management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

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| 7.4 The RC should 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. The RC should aim to be fair and avoid rewarding poor performance. | In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance. |

**Level and Mix of Remuneration**

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key Management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

| Guidelines of the Code | Corporate Governance Report |
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| 8.1 A significant and appropriate proportion of executive directors and key Management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related elements of remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive and key Management personnel's performance. | The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders.<br><br>In setting remuneration packages, the RC ensures that the Executive Directors and Key Management personnel are adequately but not excessively remunerated as compared to the industry and comparable companies.<br><br>The Company has a remuneration policy which comprises of a fixed component and a variable component. The fixed component comprises of basic salary, transport allowance and director's fees (if applicable), and the variable component comprises of bonuses and other benefits that are linked to the performance of the Company and the individual.<br><br>The remuneration packages of the Executive Directors and key Management personnel are reviewed by the RC to ensure that their interests are aligned with the interests of the Shareholders and to ensure that the remuneration is commensurate with their performance and the performance of the Company. |
| 8.2 Long-term incentive schemes are generally encouraged for executive directors and key Management personnel. The RC should review whether executive directors and key Management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key Management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability. | The Company had no long-term incentive schemes in place during FY2018. |

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| 8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders. | The RC takes into consideration the level of contribution, effort and time spent, and scope of responsibilities in determining the remuneration of Non-Executive Directors.<br><br>Each of the Non-Executive Directors are entitled to annual director's fees, subject to review by the RC and the Board at the annual Board meetings and approval by the Shareholders at each AGM. The Non-Executive Directors shall abstain from reviewing and approving his/her own director's fees.<br><br>Save for the director's fees as disclosed, Mr. Lee Chong Yang, Ms. Amelia Vincent and Mr. Ng Ser Chiang do not receive any other remuneration from the Company.<br><br>Taking into account his higher level of contribution to the Group, Mr. Ng Chuan Heng receives commensurate remuneration in addition to director's fees. Following the Company's acquisition of Poh Huat Heng Corporation Pte. Ltd. ("**PHH**"), Mr. Ng spends substantial time and effort in facilitating the Company's takeover of the business of PHH, and his responsibilities include helping Management develop proposals on strategy for PHH and reviewing the performance of Management in meeting agreed goals and objectives for PHH. |
| 8.4 Companies are encouraged to consider the use of contractual provisions to allow the company 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. | As at the date of this report, 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 misconduct resulting in financial loss to the Company. The Executive Directors owe fiduciary duties to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. |

**Disclosure on Remuneration**

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key Management personnel, and performance.**

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| 9.1 The company should report to the shareholders each year on 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. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.<br><br>The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key Management personnel (who are not directors or the CEO). | The RC recommends to the Board a framework of remuneration for the Directors and key Management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate them to run the Group successfully in order to maximise Shareholders' value. Each of the RC members shall abstain from the decision-making process concerning his/her own remuneration. |

**Remuneration of Directors in FY2018**

| Name | Base Salary | Bonus | Director's Fees | Other benefits | Total |
|---|---|---|---|---|---|
| **S$250,000 - S$500,000** | | | | | |
| Yau Woon Foong (1) | 71% | – | 24% | 5% | 100% |
| **Below S$ 250,000** | | | | | |
| Lai Choong Hon | 37% | 29% | 26% | 8% | 100% |
| Tan Poh Guan | 79% | 7% | – | 13% | 100% |
| Ng Chuan Heng | 90% | – | – | 10% | 100% |
| Lee Chong Yang | – | – | 100% | – | 100% |
| Amelia Vincent | – | – | 100% | – | 100% |
| Ng Ser Chiang | – | – | 100% | – | 100% |
| Tan See Leng (2) | – | – | 100% | – | 100% |

**Remuneration of Key Management Personnel in FY2018**

| Name | Base Salary | Bonus | Other benefits | Total |
|---|---|---|---|---|
| **Below S$ 250,000** | | | | |
| Chua Kim Hua | 62% | 11% | 27% | 100% |
| Eric Sean Koo Kong Chew | 79% | 10% | 11% | 100% |
| Tan Jun Hao | 95% | – | 5% | 100% |
| Tan Siew Lean (3) | 88% | – | 12% | 100% |
| Tan Kim Cheng (3) | 89% | – | 11% | 100% |
| Koh Teik Huat (3) | 90% | – | 10% | 100% |
| Shih Wen Li (3) | 100% | – | – | 100% |

Note:

(1) Mr Yau Woon Foong resigned as Executive Director on 31 December 2018.

(2) Ms Tan See Leng resigned as Lead Independent Director on 23 February 2018.

(3) Ms Tan Siew Lean, Ms Tan Kim Cheng, Mr Koh Teik Huat and Ms Shih Wen Li are no longer part of the Company as of 31 January 2018, following completion of the disposal of Allied Advantage Sdn. Bhd.

There are no termination, retirement or post-employment benefits that are granted to the Directors and the key Management personnel of the Group.

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| 9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/ fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. | Please refer to the table on Remuneration of Directors above.<br><br>The Board is aware of and supports the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director is not in the best interest of the Company, including the Shareholders. The Directors' remuneration packages are a competitive advantage of the Group, and taking into account the very sensitive nature of the matter, the relative size of the Group and the competitive business environment the Group operates in, full disclosure may result in poaching of key executives and irrevocable negative impact on the Group. |

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| | In view of these, the Company has chosen to make disclosure in relation thereto in bands of S$250,000 with a breakdown in percentage terms of base salary, bonus, director's fees and other benefits. The Company is of the view that such disclosures would provide adequate information on the remuneration policies and practice of the Group while maintaining the confidentiality of the Directors' remuneration matters. |
| 9.3 The company should name and disclose the remuneration of at least the top five key Management personnel (who are not directors or the CEO) in bands of S$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key Management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.<br><br>In addition, the company should disclose in aggregate the total remuneration paid to the top five key Management personnel (who are not directors or the CEO).<br><br>As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key Management personnel. | Please refer to the table on Remuneration of Key Management Personnel above.<br><br>The Company is not disclosing the full details of the remuneration of each key Management personnel as it is not in the best interests of the Company and its employees to disclose such details due to the sensitive nature of such information and in order to prevent the poaching of key executives.<br><br>The aggregate remuneration paid to key Management personnel (who are not Directors or CEO) for FY2018 is approximately S$269,190. |
| 9.4 For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000. The company need only show the applicable bands. | During FY2018, there were no employees whose annual remuneration exceeded S$50,000 who is an immediate family member of a Director or CEO of the Company. |

| Guidelines of the Code | Corporate Governance Report |
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| 9.5 The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes should be disclosed, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted. | The Company had no employee share schemes in place during FY2018. |
| 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key Management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met. | The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate the Directors and key Management personnel.<br><br>The Company advocates a performance-based remuneration system for Executive Directors and key Management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. |

**ACCOUNTABILITY AND AUDIT**

**Accountability**

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

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| 10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required). | The Company has taken efforts to comply with the Catalist Rules on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders with details of all major developments that affect the Group and strives to maintain a high standard of transparency.<br><br>The Board aims to provide a balanced and understandable assessment of the Group's performance, position and prospects extends to the interim and other price-sensitive public reports, and reports to regulators (if required).<br><br>The Board provides Shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis. This responsibility extends to reporting to regulators. |

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| 10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate. | The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including without limitation, the Catalist Rules.<br><br>Shareholders are informed of the financial performance of the Group through half yearly and annual financial results announcements and the various disclosures and announcements made to the SGX-ST via SGXNET. |
| 10.3 The Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects. | The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis. |

**Risk Management and Internal Controls**

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk Management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee the Management in the design, implementation and monitoring of the risk management and internal control systems. | The Board as a whole is responsible for risk management and no separate risk committee has been established. The Management regularly reviews the Company's business and operational activities and control policies and procedures, and highlights areas of significant risks to the Board. The Board then determines the Company's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the Group's risk management and internal control systems.<br><br>The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial consequences, as well as for the authorisation of capital expenditures and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business of the Group. Actual performance is compared against budgets and periodical revised forecasts for the year. |
| 11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk Management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties. | The Board, together with the AC, reviews annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review is carried out internally and with the assistance of the internal and external auditors. |

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's annual report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.<br><br>The Board should also comment in the company's annual report on whether it has received assurance from the CEO and the CFO:<br><br>(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and<br>(b) regarding the effectiveness of the company's risk management and internal control systems. | The Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance, information technology controls and risk management to which the Group is exposed in its current business environment as at 31 December 2018. This is based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management and the Board.<br><br>The Board recognises that no system of internal controls can provide absolute assurances against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. Nevertheless, these controls are and will be continually assessed for improvement.<br><br>The Executive Director and the Financial Controller of the Company have given assurance to the Board that as at the end of FY2018, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective. |
| 11.4 The Board may establish a separate Board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies. | Material non-compliance and internal control weaknesses noted during the audit and the recommendations of the internal and external auditors are reported to the AC. The AC reviews the internal and external auditor's comments to ensure that there are adequate internal controls in the Group. |

<u>**Audit Committee**</u>

**Principle 12: The Board should establish an audit committee with written terms of reference which clearly set out its authority and duties.**

| Guidelines of the Code | Corporate Governance Report |
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| 12.1 The ARC should comprise at least three directors, the majority of whom, including the AC chairman, should be independent. All of the members of the ARC should be non-executive directors. The Board should disclose in the company's annual report the names of the members of the ARC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board. | As at the date of this report, the AC comprises entirely Independent Directors and the members of the AC are:<br><br>Ms Amelia Vincent — Chairman<br>Mr Ng Ser Chiang — Member<br>Mr Lee Chong Yang — Member<br><br>The AC's key terms of reference and duties are set out below. |
| 12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC chairman, should have recent and relevant accounting or related financial Management expertise or experience, as the Board interprets such qualification in its business judgement. | The Board considers that the members of the AC are appropriately qualified to fulfil their responsibilities as the members bring with them invaluable managerial and professional expertise in the accounting and financial management.<br><br>Ms Amelia Vincent is the Head of Finance at William Grant and Sons Pte Ltd and Mr Lee Chong Yang has relevant financial management expertise and experience. |

# CORPORATE GOVERNANCE **REPORT**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. | The AC is authorised to investigate any matter falling within its written terms of reference, and has full access to and co-operation of the Management. The AC has full discretion to invite any Director or key Management personnel to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the external auditors and internal auditors.<br><br>Further to the above, the AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.<br><br>In the event that a member of the AC is interested in any matter being considered by the AC, he/she shall abstain from reviewing that particular transaction or voting on that particular resolution. |
| 12.4 The duties of the ARC should include:<br><br>(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;<br><br>(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);<br><br>(c) reviewing the effectiveness of the company's internal audit function;<br><br>(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and<br><br>(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors. | The AC is regulated under its written terms of reference. The principal functions of the AC include:<br><br>• reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and reporting to the Board annually;<br>• reviewing the adequacy and effectiveness of the internal audit function;<br>• reviewing the internal and external auditors' annual audit plan;<br>• reviewing the internal and external auditors' reports and the independence and objectivity of the external auditors;<br>• reviewing the co-operation given by the Company's officers to the internal and external auditors;<br>• ensuring the integrity of the financial statements of the Group before submission to the Board for approval of release of the results announcement on SGXNET;<br>• nominating external auditors for appointment and re-appointment and approving the remuneration and terms of engagement of the external auditors;<br>• meeting with the internal auditors and external auditors without the presence of the management at least once a year;<br>• reviewing internal control procedures; and<br>• reviewing and ratify all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis.<br><br>Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company's operational results and/or financial position. |

# CORPORATE GOVERNANCE **REPORT**

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| 12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of the company's management, at least annually. | The AC meets with the external and internal auditors without the presence of Management at least once a year. The AC meets with the auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls. |
| 12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity. | The AC reviews the independence and objectivity of the external auditors annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.<br><br>Moore Stephens LLP resigned on 14 September 2018 and Crowe Horwath First Trust LLP was appointed as the external auditors of the Company on 21 November 2018. Crowe Horwath First Trust LLP and its member firms are the auditors of all of the Company's Singapore incorporated subsidiaries and foreign-incorporated subsidiary.<br><br>The aggregate amount of audit fees paid and payable by the Group to the current external auditors, Crowe Horwath First Trust LLP, for FY2018 is approximately S$83,000. There were no non-audit services provided by the external auditors for the FY2018.<br><br>The AC has recommended to the Board the nomination of Crowe Horwath First Trust LLP for re-appointment as auditors of the Company at forthcoming AGM. The Company is of the view that it has complied with Rule 712 and 715 of the Catalist Rules in relation to its external auditors. |
| 12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's annual report, and procedures for raising such concerns should be publicly disclosed as appropriate. | The Company has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or management, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regard, the AC has adopted a whistle-blowing policy in FY2008 and further reviewed it in FY2018 (the "**Whistle-Blowing Policy**").<br><br>The AC is tasked with overseeing the administration of the Whistle-Blowing Policy. The Whistle-Blowing Policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to the Lead Independent Director (Lee Chong Yang) or the Chairman of the AC (Amelia Vincent). Since the adoption of the Whistle-Blowing Policy, there were no complaints, concerns or issues received by the AC.<br><br>The policy and procedures for raising any concerns is communicated to all employees of the Group during the orientation for new employees. |
| 12.8 The Board should disclose a summary of all the AC's activities in the company's annual report. The Board should also disclose in the company's annual report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. | The AC met twice in FY2018. Details of members' attendance at the meetings are set out on page 14 of the Annual Report. The meeting materials are circulated to the Directors by the Company Secretary. The Financial controller, Company Secretary, internal auditors and external auditors are invited to these meetings.<br><br>The AC reviewed the audit plans and audit reports for FY2018 presented by the external and internal auditors. The AC also reviewed the half-yearly and yearly financial statements and discussed with Management, the financial controller and the external auditors regarding the significant accounting policies, judgment and estimates applied by the management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for further review and approval of the audited annual financial statements. |

# CORPORATE GOVERNANCE **REPORT**

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| | The AC also proposed the change of auditors from Moore Stephens LLP, which has served as auditors of the Company since 2004, as a matter of good corporate governance so as to enable the Company to benefit from fresh perspectives and views of another professional accounting firm. After reviewing the profile, network, resources, experience and fee proposals of 3 different audit firms, the AC then selected Crowe Horwath First Trust LLP for recommendation to the Board of Directors for appointment as new auditors of the Company. Upon approval of the Shareholders at an EGM held on 21 November 2018, Crowe Horwath First Trust LLP was appointed as auditors of the Company.<br><br>The external auditors provide regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. This includes the recent adoption of the Singapore Financial Reporting Standards (International) (SFRS(I)) and its impact on the Group's accounting policies and methods of computation. |
| 12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his 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 has any financial interest in the auditing firm or auditing corporation. | None of the members of the AC is a partner or director of the Company's existing auditing firm. |

**Internal Audit**

**Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 13.1 The internal auditor's primary line of reporting should be to the AC chairman although the internal auditor would also report administratively to the CEO.<br><br>The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The internal auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC. | The AC, in consultation with Management, approves the hiring, removal, evaluation and the fees of the internal auditors. The internal audit function of the Group was outsourced to Nexia TS Risk Advisory Pte. Ltd. in FY2018. The internal auditors do not provide any non-audit services to the Company, and the AC is satisfied that they are able to provide an independent and objective internal audit function.<br><br>The internal auditors has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditors are invited to attend the AC meetings.<br><br>The internal auditors report primarily to the AC Chairman although they would also report administratively to Executive Directors and Financial Controller. |
| 13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff. | The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard shareholders' investments and the Group's assets.<br><br>The role of the internal auditors is to assist the AC and Management in ensuring that the controls are adequate, effective and functioning as intended. The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company to perform its function effectively. |

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience. | The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel, who are able to carry out the internal audit functions effectively. |
| 13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. | The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. |
| 13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function. | The AC reviews the internal audit report including the follow-up actions taken by the Management on an annual basis to ensure the adequacy of the internal audit function. The AC also reviews and approves the annual internal audit plans. |

**SHAREHOLDER RIGHTS**

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares. | All Shareholders are treated fairly and equitably to facilitate their ownership rights. All Shareholders are entitled to attend the general meetings and are provided the opportunity to participate and vote at the meetings, whether in person or by proxy.<br><br>The Board recognises the importance of maintaining transparency and accountability to the Shareholders, and is mindful of the obligation to provide Shareholders with information on all major developments that affect the Group in accordance with the Catalist Rules and the Companies Act. The Board informs all Shareholders of material developments in the Group on a timely basis via announcements released on the SGX-ST, circulars and/or press releases. |
| 14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders. | The Company ensures that all Shareholders have equal opportunity to participate effectively in and vote at general meetings. The Company's general meetings are held in Singapore to allow Shareholders to be present at the meeting itself, and time is allocated to allow Shareholders to direct any relevant queries to the Directors, Management or Auditors present at the meeting.<br><br>Shareholder who are unable to attend the meeting are allowed to appoint up to two (2) proxies to attend and vote on their behalf. They are informed of the rules that govern general meetings in the Circulars and Notice of Meetings circulated before the general meetings. Shareholders are also informed of the voting procedures prior to the commencement of voting by poll. |
| 14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. | The Constitution allows members of the Company to appoint two proxies to attend and vote on their behalf. A relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.<br><br>Central Provident Fund investors of the Company's securities may attend shareholders' meetings as observers, provided that they have submitted to do so with the agent banks within the specified time frame. |

# CORPORATE GOVERNANCE **REPORT**

## COMMUNICATION OF SHAREHOLDERS

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures. | The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and promote better investor communication.<br><br>The Company believes that a high standard of disclosure is essential to raise the level of corporate governance. Interim and full year results and press releases are published on SGXNET. All information of the Company's new initiatives is first disseminated via SGXNET followed by a press release.<br><br>Where there has been an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNET, before the Company meets with any investors or analysts.<br><br>All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in a newspaper within the mandatory period, which is held within four months after the close of the financial year. |
| 15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible. | Information is communicated to Shareholders on a timely basis through:<br><br>• annual reports that are despatched to all Shareholders and released on the SGXNET;<br>• announcements on half-year and full-year financial results and all major developments on the SGXNET;<br>• press releases or media/analyst briefings to keep shareholders informed of corporate developments; and<br>• corporate website (aagroupholdings.com).<br><br>The Company ensures that price-sensitive information is publicly released and is announced promptly and within the mandatory period as required under the Catalist Rules.<br><br>Shareholders and potential investors with comments and queries regarding the information communicated by the Company may send their enquiries to the email address provided at the Company's website. |
| 15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns. | The Board welcomes Shareholders to attend all general meetings of the Company, which represent the principal forum for dialogue and interaction between the Board, Management and the Company, and for Shareholders to share their concerns and views. |
| 15.4 The Board should state in the company's annual report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or investors' day briefings. | General meetings are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given opportunities to voice their views and seek clarification to the Board on any matters relating to the Group's business and operations. |
| 15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons. | The Company does not have a fixed dividend policy. The form, frequency and amount of dividend will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Board may deem appropriate.<br><br>The Board has not declared or recommended a dividend for FY2018 in order to conserve cash for use as future working capital in a challenging business environment. |

## CONDUCT OF SHAREHOLDER MEETINGS

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

| Guidelines of the Code | Corporate Governance Report |
|---|---|
| 16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their articles of association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders. | All Shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings.<br><br>At the Company's AGMs, Shareholders are given the opportunity to air their views and ask Directors or the management questions regarding the Group. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with Shareholders.<br><br>Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.<br><br>The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities through the web is not compromised. |
| 16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. | Resolutions are as far as possible, structured separately and may be voted upon independently. The Company will review to ensure that only interdependent resolutions forming one significant proposal are proposed as inter-conditional resolutions (i.e. if any one of the inter-conditional resolutions is not approved, all the other inter-conditional resolutions would not be passed). |
| 16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings.<br><br>The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. | The Chairman and members of the AC, NC and RC will be present at AGMs to address any questions the Shareholders may have concerning the Group.<br><br>The external auditors will also be present to assist the Directors in addressing relevant queries raised by Shareholders. |
| 16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request. | The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and Management, and makes such minutes available to Shareholders upon their request. |

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| 16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling. | In line with Catalist Rule 730A, all the resolutions that are put to the vote at general meetings would be voted by way of poll.<br><br>The Company will make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages to the public via SGXNET.<br><br>While acknowledging that voting by electronic poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness to employ electronic polling. |

## DEALINGS IN SECURITIES

The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company has adopted an internal code on dealings in securities to govern dealings in the Shares by the Directors and the key executives of the Group, Directors and management and officers of the Group, who have access to price sensitive, financial or confidential information are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full year financial results and ending on the date of the announcement of the results.

The Board confirms that for FY2018, the Company has complied with Rule 1204(19) of the Catalist Rules.

## INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. All interested person transactions will be documented and submitted to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Company does not have a general mandate from shareholders for recurrent interested person transactions. There were no interested person transactions with a value of S$100,000 or more during FY2018.

## MATERIAL CONTRACTS

Two of the Directors, Mr. Ng Chuan Heng and Mr. Tan Poh Guan, indirectly holds shareholding interest in Power Works Pte. Ltd. ("**Power Works**"), a major customer of Poh Huat Heng Corporation Pte. Ltd. ("**PHH**"). Each of Mr. Ng and Mr. Tan holds 33.33% shares in a company known as Benetre Pte. Ltd., which in turn holds 25% shares in Power Works, and this results in each of Mr. Ng and Mr. Tan indirectly holding 8.33% in the share capital of Power Works. The two subcontracting agreements entered into between PHH and Power Works relate to construction projects, whereby PHH is engaged as the subcontractor to Power Works to carry out civil and associated works, including the installation of cable works.

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder of the Company during FY2018, save as disclosed above and in this Annual Report.

## NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Stamford Corporate Services Pte. Ltd. (the "**Sponsor**").

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor by the Company during FY2018.

## USE OF PROCEEDS

As at the date of this report, a total of 281,816,250 Warrants had been exercised and S$3,381,795 had been received by the Group. The proceeds arising from the exercise of these Warrants may, at the discretion of the Directors, be applied towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital. Of this amount, S$2,000,000 was utilised for business expansion through the acquisition of subsidiaries and the businesses of such subsidiaries and S$1,369,000 was utilised for working capital purposes.

The remaining net proceeds as at the date of this report is S$12,795. The use of proceeds is in accordance with the stated use.

## CORPORATE SOCIAL RESPONSIBILITY

The Group has always placed emphasis on conducting its business in a responsible manner while adding value to its stakeholders. The Group believes that environmentally-friendly practices complement business efficiency. The Group's staff are encouraged to reduce, recycle and reuse and advocate corporate social responsibility towards the environment by incorporating these processes in our daily operations. The Group encourages the various practices to reduce the pollution to earth and water, such as re-using single-side paper in office, using oil traps and managing scheduled waste like contaminated rugs and gloves in our operations.

During FY2018, the Company had diversified the Group's business activities into the areas of leasing of property and provision of property related services, and manufacturing and supply of construction-related materials. The Company acknowledges that it is important to have sustainability and to implement appropriate policies and programmes in line with the requirements of SGX-ST and good practice. The Company is conducting a follow up review of its FY2017 sustainability report, and will upload its FY2018 sustainability report on SGXNET before the end of May 2019.

# CORPORATE GOVERNANCE **REPORT**

**Disclosure in Compliance with the Code of Corporate Governance 2012**

| **Relevant Principles or Guidelines** | **Page reference in the Annual Report** |
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| **Guideline 1.3**<br><br>Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters | 14 |
| **Guideline 1.4**<br><br>The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings | 14 |
| **Guideline 1.5**<br><br>The type of material transactions that require Board approval under guidelines | 15 |
| **Guideline 1.6**<br><br>The induction, orientation and training provided to new and existing directors | 15 |
| **Guideline 2.3**<br><br>The Board should identify in the Company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed | 17 |
| **Guideline 2.4**<br><br>Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed | N.A. |
| **Guideline 3.1**<br><br>Relationship between the Chairman and CEO where they are immediate family members | N.A. |
| **Guideline 4.1**<br><br>Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board | 21 |
| **Guideline 4.4**<br><br>The maximum number of listed company board representations which Directors may hold should be disclosed | 23 |
| **Guideline 4.6**<br><br>Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process | 23 |
| **Guideline 4.7**<br><br>Key information regarding Directors, including which Directors are executive, non-executive or considered by the NC to be independent | 24 |

| Relevant Principles or Guidelines | Page reference in the Annual Report |
|---|---|
| **Guideline 5.1**<br><br>The Board should state in the Company's Annual Report how assessment of the Board, its Board Committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report | 25 |
| **Guideline 7.1**<br><br>Names of the members of the RC and the key term of reference of the RC, explaining its role and the authority delegated to it by the Board | 27 |
| **Guideline 7.3**<br><br>Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company | 28 |
| **Guideline 9**<br><br>Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration | 31-33 |
| **Guideline 9.1**<br><br>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. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key Management personnel (who are not Directors or the CEO) | 31 |
| **Guideline 9.2**<br><br>Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives | 31 |
| **Guideline 9.3**<br><br>Name and disclose the remuneration of at least the top five key Management personnel (who are not Directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key Management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key Management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key Management personnel | 32 |
| **Guideline 9.4**<br><br>Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000 | 32 |

# CORPORATE GOVERNANCE **REPORT**

| Relevant Principles or Guidelines | Page reference in the Annual Report |
|---|---|
| **Guideline 9.5**<br><br>Details and important terms of employee share schemes | 33 |
| **Guideline 9.6**<br><br>For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key Management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met | 33 |
| **Guideline 11.3**<br><br>The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems | 35 |
| **Guideline 12.1**<br><br>Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board | 35 |
| **Guideline 12.6**<br><br>Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement | 37 |
| **Guideline 12.7**<br><br>The existence of a whistle-blowing policy should be disclosed in the company's Annual Report | 37 |
| **Guideline 12.8**<br><br>Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements | 37 |
| **Guideline 15.4**<br><br>The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day Briefings | 40 |
| **Guideline 15.5**<br><br>Where dividends are not paid, companies should disclose their reasons | 40 |

# DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of AA Group Holdings Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 55 to 133 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

**Directors**

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

| | |
|---|---|
| Lai Choong Hon | (appointed on 18 January 2018) |
| Ng Chuan Heng | (appointed on 17 December 2018) |
| Tan Poh Guan | (appointed on 17 December 2018) |
| Amelia Vincent | |
| Ng Ser Chiang | |
| Lee Chong Yang | (appointed on 23 February 2018) |

**Directors' interests in shares or debentures**

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Direct interests | | Deemed interests | |
|---|---|---|---|---|
| | At 1 January 2018 or date of appointment, if later | At 31 December 2018 | At 1 January 2018 or date of appointment, if later | At 31 December 2018 |
| **Company** | | | | |
| *Ordinary shares* | | | | |
| Lai Choong Hon | 21,000,000 | 21,000,000 | – | – |
| Ng Chuan Heng | 42,650,000 | 215,900,000 | – | – |
| Tan Poh Guan | 13,362,500 | 60,175,000 | – | – |
| Lee Chong Yang | 42,697,753 | 42,697,753 | 1,000,000 | 1,000,000 |

There was no change in any of the above interests in the Company and its related corporation between the end of the financial year and as at 21 January 2019.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

**Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures**

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

**Share options**

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

**Warrants**

On 21 December 2016, the Company issued 962,762,010 unlisted warrants on the basis of 10 (ten) rights cum warrants for every 1 (one) existing ordinary shares held in the capital of the Company. Each warrant entitles the holder to subscribe for 1 (one) new ordinary share in the Company at the exercise price of S$0.012 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

| Date of issue | Warrants outstanding at 1/1/2018 | Warrants exercised | Warrants expired | Warrants outstanding at 31/12/2018 | Date of expiry |
|---|---|---|---|---|---|
| 21/12/2016 | 688,781,760 | (7,836,000) | – | 680,945,760 | 20/12/2019 |

As at the end of the financial year, except as disclosed above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company. Except for the above outstanding warrants, no other options to take up unissued shares of the Company were outstanding as at the end of the financial year.

**Audit committee**

The members of the Audit Committee at the end of the financial year are as follows:

Amelia Vincent (Chairman)
Lee Chong Yang
Ng Ser Chiang

# DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2018

**Audit committee (Continued)**

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company, subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report included in the Annual Report of the Company.

**Independent auditors**

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

**On behalf of the Board of Directors**

| | |
|---|---|
| **Lai Choong Hon** | **Tan Poh Guan** |
| Director | Director |

8 April 2019

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **AA GROUP HOLDINGS LTD.**

(Incorporated in Singapore)
31 December 2018

**Crowe Horwath First Trust LLP**
8 Shenton Way
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Singapore 068811
Main +65 6221 0338
Fax +65 6221 1080

www.crowe.sg

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of AA Group Holdings Ltd. (the Company) and its subsidiaries (the Group), set out on pages 55 to 133, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

***Basis for Opinion***

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

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. The matter was 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 this matter.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD.

(Incorporated in Singapore)
31 December 2018

**Key Audit Matter (Continued)**

| ***Impairment assessment of goodwill***<br>*Refer to the following notes to the financial statements*<br>*~ Note 2 "Critical Accounting Judgements and Key Sources of Estimation Uncertainty"*<br>*~ Note 6 "Goodwill"* | |
|---|---|
| ***The key audit matter*** | ***How the matter was addressed in our audit*** |
| The Group has goodwill arose from various acquisitions with an aggregate carrying amount of S$5,387,875 as at 31 December 2018. The goodwill has been allocated to the relevant cash generating unit ("CGUs") under the respective operating segments as disclosed in Note 6 to the financial statements.<br><br>In accordance with the requirements of SFRS(I) 1-36, management performed annual impairment test for goodwill, by comparing the estimated recoverable amount with the carrying amount of each CGU as at reporting date.<br><br>In carrying out the impairment testing, significant management judgement was used on key assumptions, such as (a) growth margin, (b) growth rate and perpetual growth rate and (c) discount rate.<br><br>We focused on this area in view of the significant judgement involved by the management, which is inherently subjective.<br><br>As a result of the impairment test, during the current financial year, the Group recognised a full impairment loss in one CGU, resulting in an expense recorded in "Other expenses" caption, amounting to $1,108,095 (Note 21). | Our audit procedures focused on evaluating and challenging the key estimates used by management in determining the recoverable amounts of these assets.<br><br>Our key procedures applied include:<br><br>• Check mathematical accuracy of management's value in use calculations;<br><br>• Obtain an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs;<br><br>• Challenge the reasonableness of key assumptions mainly the (a) growth margin, (b) growth rate and perpetual growth rate and (c) discount rate;<br><br>• Perform sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in these key assumptions; and<br><br>• Test the robustness of management's forecast by comparing previous forecast to actual results, if applicable.<br><br>Based on the results of the above procedures, we note that the judgements applied by management were balanced; the key assumptions and estimates used in determining the recoverable values were reasonable; and the disclosures to be appropriate. |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **AA GROUP HOLDINGS LTD.**

(Incorporated in Singapore)
31 December 2018

### *Other Information*

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

### *Other Matter*

The financial statements for the year ended 31 December 2017 were audited by another auditor whose report dated 8 May 2018 expressed an unqualified opinion on those financial statements.

### *Responsibilities of Management and Directors for the Financial Statements*

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

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

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

### *Auditor's Responsibilities for the Audit of 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.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **AA GROUP HOLDINGS LTD.**

(Incorporated in Singapore)
31 December 2018

Crowe

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Alfred Cheong Keng Chuan.

**Crowe Horwath First Trust LLP**
Public Accountants and
Chartered Accountants
Singapore

8 April 2019

# STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2018

(Amounts in Singapore dollars ("S$"))

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 S$ | 2017 S$ | 2018 S$ | 2017 S$ |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 59,526,961 | 61,561,745 | – | – |
| Prepaid land leases | 4 | – | – | – | – |
| Intangible assets | 5 | 1,566,576 | 2,061,284 | – | – |
| Goodwill | 6 | 5,387,875 | 2,232,625 | – | – |
| Investments in subsidiaries | 7 | – | – | 36,700,002 | 27,700,002 |
| Financial assets, at FVOCI | 8 | 150,000 | – | – | – |
| Financial assets, available-for-sale | 9 | – | 150,000 | – | – |
| | | 66,631,412 | 66,005,654 | 36,700,002 | 27,700,002 |
| **Current assets** | | | | | |
| Inventories | 10 | 100,343 | 90,444 | – | – |
| Trade and other receivables | 11 | 16,445,747 | 11,526,053 | 1,942,386 | 2,318,421 |
| Other current assets | 12 | 494,122 | 184,896 | 6,217 | 6,217 |
| Cash and bank balances | | 3,115,524 | 2,907,942 | 80,864 | 562,493 |
| | | 20,155,736 | 14,709,335 | 2,029,467 | 2,887,131 |
| Assets directly related to disposal group classified as held for sale | 29 | – | 23,678,107 | – | 7,000,000 |
| | | 20,155,736 | 38,387,442 | 2,029,467 | 9,887,131 |
| **TOTAL ASSETS** | | 86,787,148 | 104,393,096 | 38,729,469 | 37,587,133 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Bank borrowings | 13 | 820,405 | 1,533,212 | – | – |
| Hire purchase creditors | 14 | 53,049 | 41,004 | – | – |
| Deferred tax liabilities | 15 | 9,548,774 | 10,631,741 | – | – |
| Other liabilities | 16 | 648,360 | 648,360 | – | – |
| Bond payable | 17 | – | – | 1,000,000 | – |
| | | 11,070,588 | 12,854,317 | 1,000,000 | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | 9,613,163 | 6,239,747 | 11,457,217 | 11,356,944 |
| Bond payable | 17 | – | 7,000,000 | – | 7,000,000 |
| Bank borrowings | 13 | 3,788,774 | 5,297,622 | – | – |
| Hire purchase creditors | 14 | 51,436 | 175,447 | – | – |
| Provision for income tax | | 1,698,422 | 1,604,332 | – | – |
| | | 15,151,795 | 20,317,148 | 11,457,217 | 18,356,944 |
| Liabilities directly related to disposal group classified as held for sale | 29 | – | 16,142,121 | – | 539,653 |
| | | 15,151,795 | 36,459,269 | 11,457,217 | 18,896,597 |
| **TOTAL LIABILITIES** | | 26,222,383 | 49,313,586 | 12,457,217 | 18,896,597 |
| **NET ASSETS** | | 60,564,765 | 55,079,510 | 26,272,252 | 18,690,536 |
| **EQUITY** | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | 18 | 35,225,321 | 28,131,289 | 35,225,321 | 28,131,289 |
| Reserves | 19 | 25,320,075 | 26,895,325 | (8,953,069) | (9,440,753) |
| | | 60,545,396 | 55,026,614 | 26,272,252 | 18,690,536 |
| **Non-controlling interests** | | 19,369 | 52,896 | – | – |
| **TOTAL EQUITY** | | 60,564,765 | 55,079,510 | 26,272,252 | 18,690,536 |

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars ("S$"))

| | Note | 2018<br>S$ | 2017<br>S$ |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 20 | 19,593,708 | 11,184,931 |
| Cost of sales and services | | (14,081,306) | (7,778,339) |
| Gross profit | | 5,512,402 | 3,406,592 |
| | | | |
| Other income | 21 | 160,377 | 36,314,848 |
| Distribution costs | | (1,120,099) | (470,848) |
| Administrative expenses | | (4,966,570) | (3,514,831) |
| Other expenses | 21 | (1,613,396) | (424,855) |
| Finance income | 22 | 541,917 | 169,824 |
| Net impairment loss on financial assets | 24 | 95,892 | (440,836) |
| Finance costs | 23 | (342,411) | (128,747) |
| **(Loss) / Profit before tax** | 24 | (1,731,888) | 34,911,147 |
| Income tax credit / (expense) | 26 | 40,174 | (175,629) |
| **(Loss) / Profit for the year** | | (1,691,714) | 34,735,518 |
| | | | |
| **Discontinued operations** | | | |
| Loss from discontinued operations | 27 | (4,012,296) | (5,392,700) |
| **Total (loss) / profit** | | (5,704,010) | 29,342,818 |
| | | | |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| - Currency translation differences arising from consolidation | | 286,259 | 240,829 |
| - Currency translation differences arising from disposal of a subsidiary | | 4,194,781 | – |
| **Total comprehensive (loss) / income for the year** | | (1,222,970) | 29,583,647 |
| | | | |
| **(Loss) / Profit from continuing operation, net of tax attributable to:** | | | |
| Equity holders of the Company | | (1,658,187) | 34,739,728 |
| Non-controlling interests | | (33,527) | (4,210) |
| | | (1,691,714) | 34,735,518 |
| | | | |
| **Loss from discontinued operation, net of tax attributable to:** | | | |
| Equity holders of the Company | | (4,012,296) | (5,392,700) |

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars ("S$"))

| | Note | 2018<br>S$ | 2017<br>S$ |
|---|---|---|---|
| **Total (Loss) / Profit attributable to:** | | | |
| Equity holders of the Company | | (5,670,483) | 29,347,028 |
| Non-controlling interests | | (33,527) | (4,210) |
| | | (5,704,010) | 29,342,818 |
| **Total comprehensive (loss) / income attributable to:** | | | |
| Equity holders of the Company | | (1,189,443) | 29,587,857 |
| Non-controlling interests | | (33,527) | (4,210) |
| | | (1,222,970) | 29,583,647 |
| (Loss) / Earnings per share (cents) from continuing and discontinued operations attributable to equity holders of the Company | | | |
| Basic | 28 | (0.24) | 2.22 |
| Diluted | 28 | (0.21) | 1.69 |
| (Loss) / Earnings per share (cents) from continuing operations attributable to equity holders of the Company | | | |
| Basic | 28 | (0.07) | 2.63 |
| Diluted | 28 | (0.06) | 2.01 |
| Loss per share (cents) from discontinued operations attributable to equity holders of the Company | | | |
| Basic | 28 | (0.17) | (0.41) |
| Diluted | 28 | (0.15) | (0.32) |

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars ("S$"))

**2018**
**Group**

| | Note | Share capital S$ | Merger reserve S$ | Translation reserve S$ | Retained earnings S$ | Total S$ | Non-controlling interests S$ | Total equity S$ |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | | |
| **Balance as at 1.1.2018, as previously stated** | | 28,131,289 | (6,478,399) | (4,476,309) | 37,850,033 | 55,026,614 | 52,896 | 55,079,510 |
| Adjustments on transition to SFRS(I) 9 | 35(b) | – | – | – | (385,807) | (385,807) | – | (385,807) |
| **As at 1.1.2018, as restated** | | 28,131,289 | (6,478,399) | (4,476,309) | 37,464,226 | 54,640,807 | 52,896 | 54,693,703 |
| Loss for the year | | – | – | – | (5,670,483) | (5,670,483) | (33,527) | (5,704,010) |
| Other comprehensive income, net of tax: | | | | | | | | |
| - Currency translation differences arising from consolidation | | – | – | 286,259 | – | 286,259 | – | 286,259 |
| - Currency translation differences arising from disposal of a subsidiary | 27 | – | – | 4,194,781 | – | 4,194,781 | – | 4,194,781 |
| Total comprehensive income / (loss) for the year | | – | – | 4,481,040 | (5,670,483) | (1,189,443) | (33,527) | (1,222,970) |
| Contributions by owners | | | | | | | | |
| Issuance of new ordinary shares | 18 | 7,094,032 | – | – | – | 7,094,032 | – | 7,094,032 |
| **Balance at 31.12.2018** | | 35,225,321 | (6,478,399) | 4,731 | 31,793,743 | 60,545,396 | 19,369 | 60,564,765 |

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars ("S$"))

**2017**
**Group**

| | Note | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Merger reserve** | **Translation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| | | **S$** | **S$** | **S$** | **S$** | **S$** | **S$** | **S$** |
| **Balance as at 1.1.2017** | | 22,143,526 | (6,478,399) | (4,717,138) | 8,503,005 | 19,450,994 | – | 19,450,994 |
| Profit / (Loss) for the year | | – | – | – | 29,347,028 | 29,347,028 | (4,210) | 29,342,818 |
| Other comprehensive income, net of tax: | | | | | | | | |
| - Currency translation differences arising from consolidation | | – | – | 240,829 | – | 240,829 | – | 240,829 |
| Total comprehensive income / (loss) for the year | | – | – | 240,829 | 29,347,028 | 29,587,857 | (4,210) | 29,583,647 |
| Contributions by owners | | | | | | | | |
| Issuance of new ordinary shares | 18 | 5,987,763 | – | – | – | 5,987,763 | – | 5,987,763 |
| Change in ownership interests in subsidiaries | | | | | | | | |
| Acquisition of subsidiaries | 7(b)(iv) | – | – | – | – | – | 57,106 | 57,106 |
| **Balance at 31.12.2017** | | 28,131,289 | (6,478,399) | (4,476,309) | 37,850,033 | 55,026,614 | 52,896 | 55,079,510 |

The accompanying notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars ("S$"))

| | Note | 2018 S$ | 2017 S$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss) / Profit before tax: | | | |
| - Continuing operations | | (1,731,888) | 34,911,147 |
| - Discontinued operations | 27 (a) | (4,012,296) | (5,759,742) |
| | | (5,744,184) | 29,151,405 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 24 | 3,023,525 | 4,664,990 |
| Amortisation of intangible assets | 24 | 494,708 | 412,257 |
| Bargain purchase arising from acquisition of a subsidiary | 21 | – | (35,505,457) |
| Amortisation of prepaid land leases | | – | 9,438 |
| Impairment of property, plant and equipment | 24 | – | 1,851,280 |
| Impairment of property, plant and equipment as fair value adjustment on assets classified as held for sale | 24 | – | 3,982,545 |
| Impairment loss on goodwill | 21 | 1,108,095 | – |
| Gain on disposal of subsidiaries | 27 (a) | 53,096 | – |
| Gain on disposal of financial assets, available-for-sale | 21 | – | (600,000) |
| Gain on disposal of property, plant and equipment | | (47) | (354) |
| Net foreign exchange loss – unrealised | | 12,168 | 45,566 |
| Net impairment loss on financial assets | 24 | (95,892) | 440,836 |
| Property, plant and equipment written off | 24 | 74,550 | – |
| Inventories written down | | – | 35,791 |
| Interest income | 22 | (541,917) | (169,824) |
| Interest expense | 23 | 342,411 | 616,031 |
| Operating (loss) / profit before working capital changes | | (1,273,487) | 4,934,504 |
| Inventories | | 3,467,888 | 189,166 |
| Trade and other receivables and other current assets | | 7,579,524 | 292,313 |
| Trade and other payables | | (6,794,787) | 179,736 |
| Cash generated from operations | | 2,979,138 | 5,595,719 |
| Interest received | | 58,040 | 80,003 |
| Interest paid | | (342,411) | (596,044) |
| Income tax paid | | (948,703) | (58,227) |
| Income tax refund | | – | 22,000 |
| Net cash from operating activities | | 1,746,064 | 5,043,451 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 (a) | (253,508) | (2,195,334) |
| Net cash outflow on acquisition of subsidiaries | 7 (b) | (382,221) | (5,706,795) |
| Loans receivable due from third party companies | | – | (8,589,821) |
| Disposal of subsidiaries, net of cash disposed | 27 (b) | 7,346,618 | – |
| Proceeds from disposal of property, plant and equipment | | 7,780 | 134,952 |
| Net cash from / (used in) investing activities | | 6,718,669 | (16,356,998) |
| **Cash flows from financing activities** | | | |
| (Repayment of) / Proceeds from money market loan | 13 | (1,519,987) | 4,500,000 |
| Proceeds from issue of ordinary shares | 18 | 94,032 | 3,287,763 |
| Proceeds from bill payables | | – | 14,636,442 |
| Repayment of bond | 17 | (6,000,000) | – |
| Repayment of shareholders' loan | 16 | – | (1,730,000) |
| Repayment of bills payables | | – | (14,375,627) |
| Repayment of hire purchase creditors | 14 | (129,528) | (1,803,252) |
| Repayment of term loans | 13 | (701,668) | (665,428) |
| Net advances to directors | | – | (13,372) |
| Net cash (used in) / from financing activities | | (8,257,151) | 3,836,526 |
| **Net increase / (decrease) in cash and cash equivalents** | | 207,582 | (7,477,021) |
| **Cash and cash equivalents at beginning of year** | | 2,907,942 | 10,384,274 |
| **Effects of exchange rate changes in cash and cash equivalents** | | – | 689 |
| **Cash and cash equivalents, representing cash and bank balances at end of year** | | 3,115,524 | 2,907,942 |

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

(Amounts in Singapore dollars unless otherwise stated)

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

## 1. GENERAL INFORMATION

AA Group Holdings Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office is at 7 Kim Yam Road, Singapore 239323. The address of its principal place of business is 60 Benoi Road #03-02, Singapore 629906.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 8 April 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). The financial statements are presented in Singapore dollars ("S$") as indicated.

The preparation of the financial statements in conformity with (SFRS(I)) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first set that the Group has prepared in accordance with SFRS(I). Details of first-time adoption of SFRS(I) and application of SFRS(I) 9 and 15, are included in Note 35 to the financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Standards issued but not yet effective**

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

| Descriptions | Effective for annual periods beginning on or after |
|---|---|
| SFRS(I) 16 *Leases* | 1 January 2019 |
| SFRS(I) INT 23: *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SFRS(I) 9 Financial Instruments: *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle | |
| - SFRS(I) 3 *Business Combinations* | 1 January 2019 |
| - SFRS(I) 11 *Joint Arrangements* | 1 January 2019 |
| - SFRS(I) 1-12 *Income Taxes* | 1 January 2019 |
| - SFRS(I) 1-23 Borrowing Costs | 1 January 2019 |
| Amendments to SFRS(I) 1-19 Employee Benefits: *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |
| Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures: *Long-term Interests in Associates and Joint Ventures.* | 1 January 2019 |
| Amendments to SFRS(I) 3: *Definition of a Business* | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material* | 1 January 2020 |
| SFRS(I) 17 *Insurance Contracts* | 1 January 2021 |
| 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* | To be determined |

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

SFRS(I) 16 *Leases*

This new standard on leases brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, SFRS(I) 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged.

Implementation of SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The standard will affect primarily the Group's accounting for operating leases. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets ("ROU") for are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As of 31 December 2018, the Group has non-cancellable operating lease commitments of S$10,071,154 (Note 31 (i)), which is an appropriate indicator of the SFRS(I) 16 implementation impact on the Group's consolidated statement of financial position.

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Standards issued but not yet effective (Continued)**

SFRS(I) 16 *Leases (Continued)*

For the lease commitments, the Group expects to recognise right-of-use assets of approximately S$6,075,935 on 1 January 2019 and lease liabilities of S$6,075,935 (after adjustments for prepayments and accrued lease payments recognised). Following the capitalisation of ROU assets and liability, the Group recognises depreciation of ROU assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income, under 'administrative expenses' and 'finance expenses' line items respectively. In the consolidated statement of cash flows, the Group classifies the payment of lease liabilities (including interest) within financing activities (previously under operating activities).

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

Operating lease payments previously included in the net profit after tax will now be excluded and the interest on lease liabilities and depreciation on right-of-use assets (excluding right-of-use assets for property leases) will be included in the net profit after tax in 2019.

The Group does not expect any significant impact on the financial statements from its activities as a lessor. However, some additional disclosures will be required from next year.

**Group accounting**

**(i) Subsidiaries**

*(a) Basis of consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Group accounting (Continued)**

**(i) Subsidiaries (Continued)**

*(b) Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

*(c) Disposals of subsidiaries or businesses*

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company’s ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Group accounting (Continued)**

**(ii) Transactions with non-controlling interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

**Investment in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

**Currency translation**

**(i) Functional and presentation currency**

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("S$"), which is also the functional currency of the Company.

**(ii) Transactions and balances**

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

**(iii) Translation of the Group's financial statements**

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (see the accounting policy for borrowing costs as set out in this Note). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss.

All other items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

| | Useful lives (Years) |
|---|---|
| Leasehold properties | 22 – 50 |
| Electrical and installation | 10 |
| General tools and moulds | 10 |
| Renovation | 10 |
| Plant and machinery | 4 – 15 |
| Furniture, fittings and equipment | 1 – 10 |
| Motor vehicles | 5 – 10 |

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income (expenses)".

**Prepaid land leases**

Prepaid land leases are stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid land leases are amortised on a straight-line method over the term of the land leases of 49 to 99 years. The amortisation period and method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

#### (i) Goodwill on acquisitions

Goodwill on acquisition of subsidiaries or businesses represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Certain portion of goodwill arose from a change in parent's ownership interests in a subsidiary (after control is obtained) before July 2009. The revised FRS 27 which was issued on 1 July 2009 did not require retrospective adjustment be made on goodwill that was recognised prior to 1 July 2009 and allowed the goodwill be stated at carrying value as of 1 July 2009.

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

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

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

### Other intangible assets

Intangible assets acquired separately are measured initially at cost or acquired in a business combination are identified and recognised separately from goodwill at their fair value at the acquisition date. Intangible assets are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The useful life and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Other intangible assets (Continued)**

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

The Group's finite intangible assets comprise Customer Contracts, which are measured at fair value less accumulated amortisation and accumulated losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 5 years.

**Impairment of non-financial assets**

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial assets and liabilities (From 1 January 2018 onwards)**

**(i) Initial recognition and measurement**

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with SFRS(I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

**(ii) Classification and subsequent measurement**

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

*Financial assets at amortised costs*

Unless designated at FVPL, financial assets are measured at amortised costs if:

– It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
– Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets, mainly trade and other receivables, deposits and cash and bank balances, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Debt investments at FVOCI*

Unless designated at FVPL, a debt investment is measured at FVOCI if:

– It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
– Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial assets and liabilities (From 1 January 2018 onwards) (Continued)**

**(ii) Classification and subsequent measurement (Continued)**

Financial assets (Continued)

*Equity investments at FVOCI*

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

*Financial assets at FVPL*

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised cost and equity investments at FVOCI.

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables (including amount due to a subsidiary) and bank loans.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortised cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial assets and liabilities (From 1 January 2018 onwards) (Continued)**

**(iii) Derecognition**

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

**(iv) Offsetting**

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of financial assets (From 1 January 2018 onwards)**

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

– Financial assets at amortised costs (including trade and other receivables, amount due from subsidiaries and cash and bank balances)
– Contract assets (determined in accordance with SFRS(1) 15
– Debt investments at FVOCI
– Intragroup financial guarantee contracts

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

*Simplified approach*

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument ('Life-time ECL'). The Group uses qualitative and quantitative information like geographical location, profile of customers and historical repayment trends to group debtors with similar characteristics for purposes of ECL assessment. The Group computes ECL using probability of default from external rating agencies and historical loss rates, where applicable.

*General approach*

The Group applies general approach on all other financial instruments, and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter. In this case, the financial assets are classified as Stage 1.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those asset. Loss allowance on debt investments at FVOCI are recognised in OCI, and does not reduce the carrying amount of the financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of financial assets (From 1 January 2018 onwards) (Continued)**

<u>Significant increase in credit risk (Stage 2)</u>

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition and hence remained as Stage 1. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

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

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.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ELC.

<u>Definition of default</u>

The Group considers a financial asset to be in default when:

– The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or
– The financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

<u>Credit-impaired (Stage 3)</u>

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:

– significant financial difficulty of the issuer or the borrower;
– a breach of contract, such as a default or past due event;
– 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;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of financial assets (From 1 January 2018 onwards) (Continued)**

Write-off policy

The Group write off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

**Financial assets (Before 1 January 2018)**

**(i) Initial recognition and measurement**

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**(ii) Subsequent measurement**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables and other current assets.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

*(b) Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial assets (Before 1 January 2018) (Continued)**

**(iii) Derecognition**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

**Impairment of financial assets (Before 1 January 2018)**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

**(i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of financial assets (Before 1 January 2018) (Continued)**

**(ii) Available-for-sale financial assets**

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises cost of raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete, slow moving and defective inventories.

**Financial liabilities (Before 1 January 2018)**

**(i) Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities are presented as "trade and other payables", "bond payable", "bank borrowings" and "hire purchase creditors" on the statement of financial position.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial liabilities (Before 1 January 2018) (Continued)**

**(ii) Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(b) *Other financial liabilities*

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

**(iii) Derecognition**

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

**Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities. Borrowings are initially recorded at fair value, net of transaction costs incurred and carried for at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

**(i) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

**(ii) As lessee**

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial guarantees**

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 115; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, if it is probable that Company need to reimburse the banks, the financial guarantee liabilities are subsequently measured at the higher of the amount initially recognised less amortisation and the expected amount payable to the banks.

**Share capital**

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

**Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

- Revenue from sale of goods is recognised upon transfer of control to the customers, usually at the point in time when the goods have been delivered to customers. The Group normally invoices the customers upon delivery of the goods with 30 to 60 days credit term.

- Revenue from rendering of servicing (inventory management and warehousing) are recognised over time on a straight-line basis for contracts with fixed rate per unit of service as these represent series of repetitive services. The Group also provides transportation services within the “Supply and manufacturing of ready-mix concrete products” segment, and such service contracts provides for fixed rate per unit of service, revenue is recognised on invoiced value as it represents an amount that corresponds directly with the value to the customer of the Group’s performance completed to date, as allowed by practical expedient in SFRS(I) 15.

**Other revenue**

- Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in the specific lease agreement.

**Other income**

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

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

- Parking fees and related charges are accounted for when transacted.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Employees' benefits**

**(i) Retirement benefits**

The Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution retirement schemes.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

**(ii) Employee leave entitlement**

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

**Income tax**

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 for taxable temporary differences arising on investments in subsidiaries associates and joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets 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 tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

### Related parties

A related party is defined as follows:

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

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which in the case is the Chief Executive Office of the Group, who is responsible for allocating resources and assessing performance of the operating segments.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Disposal Group Held for Sale and Discontinued Operations**

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell.

The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and;

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

**Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 entity's accounting policies**

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below:

*Impairment of financial assets*

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. Expected loss rate is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, geographical location, 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. The key assumptions and inputs used are disclosed in Note 33 (iii).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Critical accounting estimates, assumptions and judgements (Continued)**

**(ii) Key sources of estimation uncertainty**

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

*(a) Impairment of goodwill*

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the cash generating unit (CGU) to which goodwill has been allocated is based on value in use (VIU) calculation. VIU is based on cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, perpetual growth rate and discount rate of each CGU. Changes to the assumptions and estimates used could result in changes in the carrying amount of the goodwill.

The carrying amount of the goodwill as at 31 December 2018 and further details on the impairment testing of goodwill including management's sensitivity analysis are disclosed in Note 6.

*(b) Impairment of investments in subsidiaries*

The Company assesses at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the subsidiaries' financial performance and financial position and the overall economic environment.

The carrying amount of the investments in subsidiaries as at 31 December 2018 is disclosed in Note 7.

*(c) Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of the leasehold properties to be within 22 to 55 years and 1 to 15 years for other assets. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised.

A 10% difference in the expected useful lives of the property, plant and equipment from management's estimates would result in approximately 7% (2017: 2%) variance in the Group's loss (2017: Group's profit) for the year.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold Properties | Electrical and Installation | General tools and Moulds | Renovation | Plant and Machinery | Furniture, Fittings and Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **Cost** | | | | | | | | |
| As at 1 January 2017 | 2,673,753 | – | – | – | 27,454,856 | 240,495 | 532,030 | 30,901,134 |
| Additions | 145,344 | – | – | – | 4,132,322 | 72,143 | 462,060 | 4,811,869 |
| Acquisition of subsidiaries | 63,000,000 | 8,424 | 96,850 | 89,701 | 131,644 | 3,641 | 898,328 | 64,228,588 |
| Disposals | – | – | – | – | (1,037,603) | (21,400) | (352,907) | (1,411,910) |
| Written off | – | – | – | – | (146,330) | – | – | (146,330) |
| Currency realignment | 61,382 | – | – | – | 665,643 | 6,350 | 7,158 | 740,533 |
| Transferred to assets classified as held for sale (Note 29) | (2,880,479) | – | – | – | (31,068,888) | (293,625) | (382,346) | (34,625,338) |
| As at 31 December 2017 | 63,000,000 | 8,424 | 96,850 | 89,701 | 131,644 | 7,604 | 1,164,323 | 64,498,546 |
| | | | | | | | | |
| As at 1 January 2018 | 63,000,000 | 8,424 | 96,850 | 89,701 | 131,644 | 7,604 | 1,164,323 | 64,498,546 |
| Additions | – | – | – | – | 35,000 | 11,973 | 217,432 | 264,405 |
| Acquisition of a subsidiary (Note 7(b(i)) | – | – | 141,220 | – | 117,460 | 12,480 | 535,459 | 806,619 |
| Disposals | – | – | – | – | – | – | (45,586) | (45,586) |
| Written off | – | – | (43,200) | (89,701) | – | – | – | (132,901) |
| As at 31 December 2018 | 63,000,000 | 8,424 | 194,870 | – | 284,104 | 32,057 | 1,871,628 | 65,391,083 |

## 3. PROPERTY, PLANT AND EQUIPMENT (Continued)

| Group | Leasehold Properties | Electrical and Installation | General tools and Moulds | Renovation | Plant and Machinery | Furniture, Fittings and Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **Accumulated depreciation and impairment loss** | | | | | | | | |
| As at 1 January 2017 | 767,303 | – | – | – | 15,084,591 | 178,498 | 320,604 | 16,350,996 |
| Depreciation for the year | 2,726,425 | 2,592 | 12,163 | 9,801 | 1,472,776 | 34,032 | 407,201 | 4,664,990 |
| Impairment loss charged to profit or loss | – | – | – | – | 1,851,280 | – | – | 1,851,280 |
| Impairment loss on transfer of assets classified as held-for-sale | – | – | – | – | 3,982,545 | – | – | 3,982,545 |
| Disposals | – | – | – | – | (994,586) | (17,510) | (265,216) | (1,277,312) |
| Written off | – | – | – | – | (146,330) | – | – | (146,330) |
| Currency realignment | 17,944 | – | – | – | 378,725 | 4,217 | 4,791 | 405,677 |
| Transferred to assets classified as held for sale (Note 29) | (840,470) | – | – | – | (21,601,084) | (197,996) | (255,495) | (22,895,045) |
| As at 31 December 2017 | 2,671,202 | 2,592 | 12,163 | 9,801 | 27,917 | 1,241 | 211,885 | 2,936,801 |
| | | | | | | | | |
| As at 1 January 2018 | 2,671,202 | 2,592 | 12,163 | 9,801 | 27,917 | 1,241 | 211,885 | 2,936,801 |
| Depreciation for the year | 2,636,166 | 5,832 | 24,251 | 26,950 | 67,120 | 9,460 | 253,746 | 3,023,525 |
| Disposals | – | – | – | – | – | – | (37,853) | (37,853) |
| Written off | – | – | (21,600) | (36,751) | – | – | – | (58,351) |
| As at 31 December 2018 | 5,307,368 | 8,424 | 14,814 | – | 95,037 | 10,701 | 427,778 | 5,864,122 |
| | | | | | | | | |
| **Net carrying amount** | | | | | | | | |
| As at 31 December 2018 | 57,692,632 | – | 180,056 | – | 189,067 | 21,356 | 1,443,850 | 59,526,961 |
| | | | | | | | | |
| As at 31 December 2017 | 60,328,798 | 5,832 | 84,687 | 79,900 | 103,727 | 6,363 | 952,438 | 61,561,745 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Additions of property, plant and equipment

During the financial year, the Group acquired the additions of property, plant and equipment by means of:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$ | S$ |
| Cash | 253,508 | 2,195,334 |
| Hire purchase | 10,897 | 2,616,535 |
| | 264,405 | 4,811,869 |

(b) Net book value of property, plant and equipment under hire purchase

At the reporting date, the net book value of property, plant and equipment acquired under hire purchase in respect of which installment payments are outstanding are as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$ | S$ |
| Plant and machinery | – | 103,708 |
| Office equipment | 3,800 | – |
| Motor vehicles | 307,454 | 614,538 |
| | 311,254 | 718,246 |

(c) Details of the Group's leasehold properties

As at 31 December 2018 and 31 December 2017, the Group's leasehold properties relate to the purpose built industrial complex comprising two adjoining two storey detached factories, a single-storey detached warehouse with a mezzanine level, three storey office block and two former plant houses located at 60 Benoi Road, Singapore 629906 with a lease tenure of 60 years from 1 July 1979 (i.e., unexpired term of approximately 20 years.

(d) Property, plant and equipment pledged as security

As at 31 December 2018, the Group's leasehold properties of S$57,692,632 (2017: S$60,328,798) pledged to a financial institution for bank loan granted to the Group as disclosed in Note 13 to the financial statements.

(e) Impairment losses of plant and equipment

In the previous financial year ended 31 December 2017, certain plant and equipment were rendered to be technologically obsolete or no longer in use by the Group. Accordingly, impairment loss amounted S$1,851,280 was recognised and included in other operating expenses under discontinued operations, as management does not expect to generate future economic benefits from the use or disposal of these assets.

In the previous financial year ended 31 December 2017, certain plant and equipment were transferred to assets classified as held for sale which arose from the discontinued operations as described in Note 27. Accordingly, an impairment loss amounted to S$3,982,545 was recognised and included in other operating expenses under discontinued operations, consequent to the measurement of these assets at the lower of their previous carrying amounts and fair value less cost to sell. The fair value of these plant and equipment was measured under Level 2 of the Fair Value Hierarchy, as defined in Note 34(i) to the financial statements.

The disposal of the subsidiary included in discontinued operations had been completed during the year.

## 4. PREPAID LAND LEASES

| | Group 2017 S$ |
|---|---|
| **Cost** | |
| At beginning of year | 552,196 |
| Currency realignment | 11,947 |
| Transferred to assets classified as held for sale (Note 29) | (564,143) |
| At end of year | – |
| **Accumulated amortisation** | |
| At beginning of year | 129,805 |
| Amortisation for the year | 9,438 |
| Currency realignment | 3,037 |
| Transferred to assets classified as held for sale (Note 29) | (142,280) |
| At end of year | – |
| **Net carrying amount** | – |

Prepaid land leases related to 3 plots of state-owned land located in Malaysia, where the manufacturing facilities of the AA Malaysia Group reside.

## 5. INTANGIBLE ASSETS

| **Group** | **Customer Contracts** | |
|---|---|---|
| | **2018 S$** | **2017 S$** |
| **Cost** | | |
| As at 1 January | 2,473,541 | – |
| Acquisition of a subsidiary (Note 7(b)(ii)) | – | 2,473,541 |
| As at 31 December | 2,473,541 | 2,473,541 |
| **Accumulated amortisation** | | |
| As at 1 January | 412,257 | – |
| Amortisation for the year | 494,708 | 412,257 |
| As at 31 December | 906,965 | 412,257 |
| **Net carrying amount** | | |
| As at 31 December | 1,566,576 | 2,061,284 |

Customer Contracts ("CC") was acquired in the Group's acquisition of business of EMS (Note 7(b)(ii)) that was completed in the previous financial year ended 31 December 2017. The remaining amortisation periods of CC as at 31 December 2018 are 37 months (2017: 49 months).

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 6. GOODWILL

| | Group 2018 S$ | Group 2017 S$ |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 2,232,625 | 685,258 |
| Goodwill arising on acquisition of subsidiaries (Note 7(b)) | 4,263,345 | 2,232,625 |
| Transferred to assets classified as held for sale (Note 29) | – | (685,258) |
| Balance at 31 December | 6,495,970 | 2,232,625 |
| **Less: Impairment losses** | | |
| Balance at 1 January | – | – |
| Impairment loss charged to profit or loss (Note 21) | (1,108,095) | – |
| Balance at 31 December | (1,108,095) | – |
| **Net carrying amount** | 5,387,875 | 2,232,625 |

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash generating unit (CGU) under the relevant operating segments as follows:

| | Group 2018 S$ | Group 2017 S$ |
|---|---|---|
| **Provision of underground cable installation and road reinstatement segment** | | |
| - Poh Huat Heng Corporation Pte. Ltd. ("PHH") (Note 7(b)(i)) – Provisional amount | 4,263,345 | – |
| **Manufacturing of precast concrete products segment** | | |
| - W&P Precast Pte. Ltd. ("WPP") (Note 7(b)(iv)) | *1,108,095 | 1,108,095 |
| **Supply and manufacturing of ready-mix concrete products segment** | | |
| - W&P Corporation Pte. Ltd. ("WPC") (Note 7(b)(iii)) | 1,124,530 | 1,124,530 |
| | 6,495,970 | 2,232,625 |

* Fully impaired in the current year, mainly due to the reducing trends in revenue, lack of stable customers' pool and the gross margin eroded by stiff competition.

## 6. GOODWILL (Continued)

Key assumptions

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, forecasted growth rates and the perpetual growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

| | PHH | WPP | | WPC | |
|---|---|---|---|---|---|
| | 2018 | 2018 | 2017 | 2018 | 2017 |
| | % | % | % | % | % |
| Gross margin | 25.0 | 25.0 | 26.0 – 28.2 | 25.0 | 20.0 |
| Growth rate: | | | | | |
| - Year 1 | 2.0 | 18.0 | 25.0 | 3.0 | 25.0 |
| - Year 2 to 5 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Perpetual growth rate | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Discount rate | 7.03 | 7.03 | 15.88 | 7.03 | 15.88 |

The growth rates used are based on the average historical growth rate of each CGU and past experience and with reference to the then long-term average growth rates of the industries and markets in which the CGUs operate. The discount rate represents the current market assessment of the risks specific to each CGU industry. Based on the above value in calculations performed by management in relation to the CGUs of PHH and WPC (2017: WPP and WPC), the recoverable amounts of the respective CGUs were determined to be in excess of their carrying amounts.

*Sensitivity analysis*

FY 2018
Management has performed sensitivity analysis on the above assumptions. The value in use calculation of PHH is most sensitive to the discount rate; a 2% increase (absolute) in the discount rate would result an impairment loss of approximately S$1,542,000. The value in use calculation of WPC is most sensitive to gross margin; a 3% decrease (absolute) in gross margin would result in an impairment loss of approximately $124,000. Both impacts were calculated assuming that the other variables remain constant.

FY 2017
Management has considered the possibility of an increase in the discount rate and decrease in the first year growth rate as estimated above. A 2% and 10%, respectively, decrease is most sensitive to the estimated first year growth rate for the CGUs of WPP and WPC, assuming the other variables remain constant, resulting in an impairment loss of approximately S$65,000 and S$98,000, respectively.

## 7. SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2018 | 2017 |
| | S$ | S$ |
| **Unquoted equity shares, at cost** | | |
| Balance at 1 January | 27,700,002 | 11,064,510 |
| Acquisitions during the year (Note (b)(i)) | 9,000,000 | 27,700,000 |
| Incorporation during the year | – | 1 |
| Impairment loss recognised in the year | – | (4,064,509) |
| Transferred to assets classified as held for sale (Note 29) | – | (7,000,000) |
| Balance at 31 December | 36,700,002 | 27,700,002 |

In the previous financial year ended 31 December 2017, the Company's investment in subsidiary, Allied Advantage Sdn. Bhd., was classified as disposal group held for sale which arose from the discontinued operations as described in Note 29. Accordingly, an impairment loss amounted to S$4,064,509 was recognised, consequent to the measurement of the investment at the lower of its previous carrying amount and fair value less cost to sell. The fair value of the investment was measured under Level 2 of the Fair Value Hierarchy, as defined in Note 34 (i) to the financial statements.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 7. SUBSIDIARIES (Continued)

(a) Details of the subsidiaries are as follows:

| Name | Principal activities | Country of incorporation and place of business | Proportion (%) of ownership interest 2018 % | 2017 % |
|---|---|---|---|---|
| ***Held by the Company*** | | | | |
| A2A Management Pte Ltd [(1)] | Provision of business and management consultancy services | Singapore | 100 | 100 |
| Engineering Manufacturing Services (S) Pte Ltd [(1)] | General warehousing and other business support activities | Singapore | 100 | 100 |
| W&P Corporation Pte Ltd [(1)] | Supply and manufacturing ready-mix concrete, precast component and related products | Singapore | 100 | 100 |
| W&P Precast Pte Ltd [(1)] | Supply of precast concrete products | Singapore | 95 | 95 |
| Julique Capital Pte Ltd [(1)] | Investment holdings | Singapore | 100 | 100 |
| Poh Huat Heng Corporation Pte. Ltd. [(1)] [(4)] | Provision of underground cable installation and road reinstatement services | Singapore | 100 (Note b) | – |
| Allied Advantage Sdn. Bhd. [(5)] | Manufacturer of speaker parts | Malaysia | – | 100 |
| ***Held through the subsidiaries*** | | | | |
| Toko Construction Pte Ltd [(5)] | Building construction services | Singapore | – | 100 |
| Germaxco Pte Ltd [(1)] | General warehousing and other business support activities | Singapore | 51 | 51 |
| W&P Precast Sdn. Bhd [(2)] [(3)] | Manufacture of precast components | Malaysia | 95 | 95 |
| AA Supply Chain Management Sdn. Bhd. [(5)] | Iron ore trading | Malaysia | – | 100 |

(1) Audited by Crowe Horwath First Trust LLP, Singapore.

(2) Audited by a member of Crowe Global in Malaysia.

(3) Non-significant subsidiary of the Group. Reviewed by Crowe Horwath First Trust LLP, Singapore for group consolidation.

(4) Acquired during the current financial year.

(5) Disposed of during the financial year (Note 27).

(b) Acquisition of subsidiaries

(i) Poh Huat Heng Corporation Pte. Ltd.: Financial year ended 31 December 2018

On 24 September 2018, the Company announced that on the same date, the Company has entered into a conditional Sale and Purchase Agreement ("SPA") with the shareholders of Poh Huat Heng Corporation Pte. Ltd. ("PHH") (the "Proposed Acquisition"), namely Ng Chuan Heng, Teo Siew Cheng, Tan Poh Guan, Tan Zhen Ying (Chen Zhenying) and Tan Jun Hao (collectively the "Vendors") to acquire the entire issued and paid-up share capital of PHH for an aggregation consideration of S$9,000,000 via the issuance of 350,000,000 new ordinary shares in the capital of the Company at an issue price of $0.02 ("Consideration Shares") and payment of S$2,000,000 in cash to the Vendors.

**7. SUBSIDIARIES (Continued)**

(b) Acquisition of subsidiaries (Continued)

(i) Poh Huat Heng Corporation Pte. Ltd.: Financial year ended 31 December 2018 (Continued)

On 20 November 2018 and 21 November 2018, the Company announced that they have obtained the in-principal approval for the listing and quotation of the Consideration Shares on the Catalist board of SGX-ST and the Proposed Acquisition has been approved by the Shareholders at the extraordinary general meeting held on 21 November 2018 respectively.

The acquisition of PHH has been completed and control has been obtained on 17 December 2018 (the "Acquisition date"). Upon the Acquisition date, PHH became a wholly-owned subsidiary of the Company.

Details of the consideration paid, the assets acquired and liabilities assumed and the effect on the cash flows of the Group, at the acquisition date, are as follows:

| | Group<br>2018<br>S$ |
|---|---|
| **Carrying amounts of acquired identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (Note 3) | 806,619 |
| Redeemable bond (Note 17) | 1,000,000 |
| Inventories | 19,155 |
| Trade and other receivables | 12,629,308 |
| Cash and bank balances | 1,617,779 |
| Total identified assets | 16,072,861 |
| | |
| Trade and other payables | 11,318,644 |
| Hire purchase creditors | 17,562 |
| Total identified liabilities | 11,336,206 |
| | |
| Total identifiable net assets acquired | 4,736,655 |
| | |
| **Purchase consideration** | |
| Consideration paid in cash | 2,000,000 |
| Issuance of shares (Note 18) | 7,000,000 |
| Total consideration transferred for the business combination | 9,000,000 |
| Less: Fair value of identifiable net assets acquired | (4,736,655) |
| Goodwill arising on acquisition – Provisional amount (Note 6) | 4,263,345 |
| | |
| **Effect on cash flows of the Group** | |
| Consideration paid in cash | 2,000,000 |
| Cash and cash equivalents of acquired subsidiary | (1,617,779) |
| Net cash inflow on acquisition | 382,221 |

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense under "administrative expenses" line item in the profit or loss of the Group.

The goodwill arose from the acquisition of PHH because of the benefits of expected synergies, revenue stream growth and future market development in a new business segment. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**7. SUBSIDIARIES (Continued)**

(b) Acquisition of subsidiaries (Continued)

(i) Poh Huat Heng Corporation Pte. Ltd.: Financial year ended 31 December 2018 (Continued)

The independent valuation of the PHH for the purpose of accounting for the business combination is in progress and expected to be completed subsequent to the authorisation of these financial statements. In view that the fair values as at acquisition date are not available pending the completion of the valuation, the carrying amounts as at acquisition date have been used as provisional amounts in the measurement of the identifiable assets acquired and liabilities assumed.

The acquired business contributed insignificant amount of revenue and net profit for the period from the acquisition date to reporting date.

Had the business combination been effected at 1 January 2018, the revenue of the Group from continuing operations would have been approximately S$33.8 million, and the loss for the year from continuing operations would have been decreased to approximately S$1.5 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(ii) Engineering Manufacturing Services (S) Pte Ltd: Financial year ended 31 December 2017

On 20 February 2017, the Group completed the acquisition of 100% equity interest in Engineering Manufacturing Services (S) Pte Ltd ("EMS") and its subsidiary, Germaxco Pte Ltd, (collectively "EMS Group") for a total consideration of S$25,000,000. Details of the consideration paid, the assets acquired and liabilities assumed and the effect on the cash flows of EMS Group, at the acquisition date, are as follows:

| | 2017<br>S$ |
|---|---|
| **Fair value of the identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (Note 3) | 63,000,000 |
| Intangible assets – Customer Contracts (Note 5) | 2,473,541 |
| Financial assets, available-for-sale (Note 9) | 150,000 |
| Trade and other receivables | 634,798 |
| Amount due from former shareholder | 11,000,000 |
| Cash and bank balances | 1,126,811 |
| Total identified assets at fair value | 78,385,150 |
| Trade and other payables | (2,974,410) |
| Bank borrowings | (2,900,776) |
| Provision for income tax | (830,134) |
| Deferred tax liabilities | (11,174,373) |
| Total identified liabilities at fair value | (17,879,693) |
| | |
| Total identifiable net assets acquired at fair value | 60,505,457 |
| | |
| **Purchase consideration** | |
| Consideration paid in cash | 7,000,000 |
| Issuance of 3 year redeemable, transferable, zero coupon bond (Note 17) | 7,000,000 |
| Novation of amount due from former shareholder (Note 16) | 11,000,000 |
| Total consideration transferred for the business combination | 25,000,000 |
| Less: Fair value of identifiable net assets acquired | 60,505,457 |
| Bargain purchase arising on acquisition (Note 21) | 35,505,457 |

## 7. SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries (Continued)

(ii) Engineering Manufacturing Services (S) Pte Ltd: Financial year ended 31 December 2017 (Continued)

| | 2017<br>S$ |
|---|---|
| **Effect on cash flows of the Group** | |
| Consideration paid in cash | 7,000,000 |
| Less: Cash and cash equivalents in acquired subsidiaries | (1,126,811) |
| Net cash outflow on acquisition | 5,873,189 |

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense under "administrative expenses" line item in the profit or loss of the Group.

The bargain purchase arose from the acquisition of EMS Group because the fair value of assets acquired and liabilities assumed exceeded the total of the consideration paid. This is mainly attributable to the leasehold properties owned by EMS Group whose fair value has increased significantly. The bargain purchase arising from the acquisition has been included under "other income" line item in the profit or loss of the Group.

The acquired business contributed revenue of approximately S$7.6 million and net profit of approximately S$3.5 million to the Group from the date of acquisition to 31 December 2017.

Had the business combination been effected at 1 January 2017, the revenue of the Group from continuing operations would have been approximately S$12.8 million, and the profit for the year from continuing operations would have been approximately S$30.3 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(iii) W&P Corporation Pte Ltd: Financial year ended 31 December 2017

On 14 August 2017, the Group completed the acquisition of 100% equity interest in W&P Corporation Pte Ltd ("WPC") for a total consideration of S$600,000. Details of the consideration paid, the assets acquired and liabilities assumed and the effect on the cash flows of the Group, at the acquisition date, are as follows:

| | 2017<br>S$ |
|---|---|
| **Fair value of the identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (Note 3) | 666,144 |
| Inventories | 60,713 |
| Trade and other receivables | 1,175,310 |
| Other current assets | 103,148 |
| Cash and bank balances | 91,794 |
| Total identified assets at fair value | 2,097,109 |
| | |
| Trade and other payables | (2,482,302) |
| Hire purchase creditors | (139,337) |
| Total identified liabilities at fair value | (2,621,639) |
| | |
| Total identifiable net liabilities acquired at fair value | (524,530) |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**7. SUBSIDIARIES (Continued)**

(b) Acquisition of subsidiaries (Continued)

(iii) W&P Corporation Pte Ltd: Financial year ended 31 December 2017 (Continued)

| | **2017** |
|---|---|
| | **S$** |
| **Purchase consideration** | |
| Issuance of shares (Note 18) | 600,000 |
| Less: Fair value of identifiable net liabilities acquired | 524,530 |
| Goodwill arising on acquisition (Note 6) | 1,124,530 |
| | |
| **Effect on cash flows of the Group** | |
| Cash and cash equivalents in acquired subsidiary | 91,794 |
| Net cash inflow on acquisition | 91,794 |

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense under "administrative expenses" line item in the profit or loss of the Group.

The goodwill arose from the acquisition of WPC because of the benefits of expected synergies, revenue stream growth and future market development in a new business segment. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

The acquired business contributed revenue of approximately S$2.7 million and net loss of approximately S$0.34 million to the Group from the date of acquisition to 31 December 2017.

Had the business combination been effected at 1 January 2017, the revenue of the Group from continuing operations would have been approximately S$14.8 million, and the profit for the year from continuing operations would have been approximately S$28.5 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

7. **SUBSIDIARIES (Continued)**

(b) Acquisition of subsidiaries (Continued)

(iv) W&P Precast Pte Ltd: Financial year ended 31 December 2017

On 14 August 2017, the Group completed the acquisition of 95% equity interest in W&P Precast Pte Ltd ("WPP") for a total consideration of S$2,100,000. Details of the consideration paid, the assets acquired and liabilities assumed and the effect on the cash flows of the Group, at the acquisition date, are as follows:

| | **2017** |
|---|---|
| | **S$** |
| **Fair value of the identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment (Note 3) | 562,444 |
| Inventories | 99,289 |
| Trade and other receivables | 1,144,877 |
| Other current assets | 3,937 |
| Cash and bank balances | 74,600 |
| Total identified assets at fair value | 1,885,147 |
| | |
| Trade and other payables | (657,848) |
| Hire purchase creditors | (129,974) |
| Provision for income tax | (2,648) |
| Deferred tax liabilities | (50,566) |
| Total identified liabilities at fair value | (841,036) |
| Total identifiable net assets acquired at fair value | 1,044,111 |
| | |
| **Purchase consideration** | |
| Issuance of shares (Note 18) | 2,100,000 |
| Plus: Non-controlling interest* | 52,206 |
| Less: Fair value of identifiable net assets acquired | 1,044,111 |
| Goodwill arising on acquisition (Note 6) | 1,108,095 |
| | |
| **Effect on cash flows of the Group** | |
| Cash and cash equivalents in acquired subsidiary | 74,600 |
| Net cash inflow on acquisition | 74,600 |

* The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net assets

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense under "administrative expenses" line item in the profit or loss of the Group.

The goodwill arose from the acquisition of WPP because of the benefits of expected synergies, revenue stream growth and future market development in a new business segment. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 7. SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries (Continued)

(iv) W&P Precast Pte Ltd: Financial year ended 31 December 2017 (Continued)

The acquired business contributed revenue of approximately S$0.89 million and net loss of approximately S$0.16 million to the Group from the date of acquisition to 31 December 2017.

Had the business combination been affected at 1 January 2017, the revenue of the Group from continuing operations would have been approximately S$13.5 million, and the profit for the year from continuing operations would have been approximately S$29.2 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(c) Non-controlling interests

The Group's subsidiaries with individually non-material non-controlling interests amounted to S$19,369 (2017: S$52,896) as at 31 December 2018.

## 8. FINANCIAL ASSETS, AT FVOCI

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| **Balance at beginning of year** | – | – |
| Reclassification at 1 January 2018 upon initial adoption of SFRS(I) 9 (Note 9) | 150,000 | – |
| **Balance at end of year** | 150,000 | – |

At initial recognition, the Group made an irrevocable election to measure the quoted equity investments in Swee Hong Ltd as these are strategic investments that the Group intend to hold for long term. Those investments were reclassified from financial assets, available-for-sale at 1 January 2018 upon initial adoption of SFRS(I) 9 .

As at the reporting date, in the opinion of the directors, no changes in the fair value is required in OCI as the carrying amount of these quoted equity investments are reasonable approximation of their fair values, which is measured under Level 1 of the Fair Value Hierarchy, as defined in Note 34 (i) to the financial statements.

## 9. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| **Balance at beginning of year** | 150,000 | – |
| Acquisition of a subsidiary (Note 7 (b)(ii)) | – | 150,000 |
| Reclassification at 1 January 2018 upon initial adoption of FRS 109 (Note 8) | (150,000) | – |
| **Balance at end of year** | – | 150,000 |
| Representing: | | |
| **Quoted equity investment** | | |
| Investment in Swee Hong Limited | – | 150,000 |

As at 31 December 2017, the fair value of the listed equity investments is measured under Level 1 of the Fair Value Hierarchy, as defined in Note 34 (i) note to the financial statements.

## 10. INVENTORIES

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| Raw materials | 76,650 | 48,288 |
| Finished goods | 23,693 | 42,156 |
| | 100,343 | 90,444 |
| Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income | | |
| - Continuing operations | 6,658,456 | 2,288,723 |
| - Discontinued operations | 5,041,501 | 16,008,161 |

## 11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$** | **S$** | **S$** | **S$** |
| Trade receivables | | | | |
| - third parties | 12,339,197 | 3,080,146 | – | – |
| Less: Allowance for impairment loss (Note 33 (iii)) | (544,925) | (143,914) | – | – |
| Trade receivables, net | 11,794,272 | 2,936,232 | – | – |
| | | | | |
| Other receivables: | | | | |
| - loans receivable I [(1)] | – | 6,558,040 | – | – |
| - loan receivable II [(2)] | 2,191,343 | 2,031,781 | – | – |
| - loan receivable III [(3)] | 2,526,290 | – | – | – |
| - Due from subsidiaries [(4)] | – | – | 2,238,122 | 2,318,421 |
| - others | 267,824 | – | – | – |
| | 4,985,457 | 8,589,821 | 2,238,122 | 2,318,421 |
| Less: Allowance for impairment loss (Note 33(iii)(b)) | (333,982) | – | (295,736) | – |
| Other receivables, net | 4,651,475 | 8,589,821 | 1,942,386 | 2,318,421 |
| | | | | |
| Trade and other receivables | 16,445,747 | 11,526,053 | 1,942,386 | 2,318,421 |

The credit period for trade receivables generally ranges from 30 to 60 days (2017: 30 to 60 days). No interest is charged on the trade receivables for outstanding balances.

(1) Loans receivable I, pertained to an aggregate of various principal amounts of S$6,500,000 and the related interest receivable of S$58,040, due from a third-party company, PHH at the 31 December 2017 were unsecured and borne interest at 3.77% per annum. Upon the completion of the acquisition of PHH in December 2018 (Note 7 (b)(i)), PHH became a wholly-owned subsidiary of the Group as at 31 December 2018.

(2) Loan receivable II, a principal amount of S$2,000,000 (2017: S$2,000,000) and the related interest receivable of S$191,343 (2017: S$31,781), due from a third-party company (the "Borrower") at the reporting date is secured by floating charge over the assets of a subsidiary of the Borrower, interest-bearing at 8% (2017: 8%) per annum and is due for repayment by 17 April 2019 (2017: 17 April 2018 which has been subsequently extended for 2 terms of 6 months by mutual consent) in cash. The Borrower is a wholly owned subsidiary of a public limited company listed on the Catalist Board of the SGX-ST. As part of supplementary agreement for the extension of due date, it was agreed that the Group would accept repayment in the form of new shares in the listed company at 10% discount to the market price in the event the Borrower is unable to pay the outstanding loan in cash. The interest amount of S$191,343 has been fully recovered as at the date of this report.

(3) Loan receivable III, a principal amount of S$2,300,000 and the related interest receivable of S$226,290, due from a third-party company (the "Borrower"), which arose from the acquisition of PHH during the year, is unsecured, interest-bearing at 1% per month and is due for repayment on 6 May 2019 in cash.

(4) The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand in cash.

## 12. OTHER CURRENT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | S$ | S$ | S$ | S$ |
| Deposits | 333,514 | 133,989 | – | – |
| Prepayments | 127,388 | 50,907 | 6,217 | 6,217 |
| Others | 33,220 | – | – | – |
| | 494,122 | 184,896 | 6,217 | 6,217 |

## 13. BORROWINGS

| Group | Current | Non-current | Total |
|---|---|---|---|
| | S$ | S$ | S$ |
| **2018** | | | |
| Secured: | | | |
| Term loan I [(1) (3)] | 788,774 | 820,405 | 1,609,179 |
| Money market loan [(2) (3)] | 3,000,000 | – | 3,000,000 |
| | 3,788,774 | 820,405 | 4,609,179 |
| **2017** | | | |
| Secured: | | | |
| Term loan I [(1) (3)] | 777,635 | 1,533,212 | 2,310,847 |
| Money market loan [(2) (3)] | 4,519,987 | – | 4,519,987 |
| | 5,297,622 | 1,533,212 | 6,830,834 |

(1) Term loan I is repayable over 60 monthly instalments commencing from October 2015.

(2) Money market loan is repayable in February 2019 (2017: February 2018 to May 2018). The loan amounts have been fully settled as at the date of this report.

In the previous financial year ended 31 December 217, an aggregate loan amount totalling S$2,515,882 with repayments dates that were due in February 2018 up to May 2018 were rolled over and had their repayment dates extended for another 6 months.

(3) Term loan I and Money market loan are secured by:

(i) Joint and several personal guarantees by 3 directors of a subsidiary, of whom 2 of them are also the directors of the Company (2017: third parties);
(ii) Corporate guarantee of a subsidiary (2017: third-party company);
(iii) Legal mortgage of a subsidiary's leasehold properties (Note 3); and
(iv) Assignment of rental proceeds/Charge over rental account to be executed of all current and future rental income from the leasehold properties.

## 13. BORROWINGS (Continued)

**Loans**

The loans bear the interest rate as follows:

| | | Group | |
|---|---|---|---|
| | | 2018 | 2017 |
| | Interest rate (per annum) | % | % |
| Term loan I | 2.82% to 3.22% below Bank's commercial financing rate | 3.49 | 2.24 |
| Money market loan | Bank's cost of funds plus 1% | 2.51 | 2.27 |

The table below details changes in the Group's liabilities arising from financing activities:

| | | Cash Flow | | Non-cash Flow | | | | |
|---|---|---|---|---|---|---|---|---|
| Group | At 1 January | Additions | Repayments | Acquisition of subsidiaries | Currency realignment | Transferred to current liabilities held for sale | Other changes* | At 31 December |
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **2018** | | | | | | | | |
| Term loan I | 2,310,847 | – | (701,668) | – | – | – | – | 1,609,179 |
| Money market loan | 4,519,987 | – | (1,519,987) | – | – | – | – | 3,000,000 |
| | 6,830,834 | – | (2,221,655) | – | – | – | – | 4,609,179 |
| **2017** | | | | | | | | |
| Term loan I | – | – | (589,929) | 2,900,776 | – | – | – | 2,310,847 |
| Term loan II | 735,990 | – | (75,499) | – | 14,090 | (674,581) | – | – |
| Bills payables | 3,929,758 | 14,636,442 | (14,375,627) | – | 91,362 | (4,281,935) | – | – |
| Money market loan | – | 4,500,000 | – | – | – | – | 19,987 | 4,519,987 |
| | 4,665,748 | 19,136,442 | (15,041,055) | 2,900,776 | 105,452 | (4,956,516) | 19,987 | 6,830,834 |

* Other changes include interest accrued.

## 14. HIRE PURCHASE CREDITORS

The Group has certain office equipment (2017: plant and equipment) under hire purchase. These are classified as finance leases and payable within 5 years. The Group's obligation under finance leases are secured by the lessors' title to the leased assets as disclosed in Note 3(b).

## 14. HIRE PURCHASE CREDITORS (Continued)

Future minimum lease payments under these hire purchase together with the present value of the net minimum lease payments are as follows:

| Group | 2018 Minimum Lease Payments S$ | 2018 Present Value of Minimum Lease Payments S$ | 2017 Minimum Lease Payments S$ | 2017 Present Value of Minimum Lease Payments S$ |
|---|---|---|---|---|
| Amount payable under finance leases: | | | | |
| Within one year | 55,491 | 51,436 | 190,670 | 175,447 |
| Between two to five years | 60,147 | 53,049 | 45,992 | 41,004 |
| Total minimum lease payments | 115,638 | 104,485 | 236,662 | 216,451 |
| Less: Future finance charges | (11,153) | | (20,211) | |
| Present value of minimum lease payments | 104,485 | | 216,451 | |
| Less: | | | | |
| Repayable within one year included under current liabilities | | 51,436 | | 175,447 |
| Repayable within two to five years included under non-current liabilities | | 53,049 | | 41,004 |

During the financial year ended 31 December 2018, the hire purchase's weighted average effective interest rates are ranging from 2.08% to 4.50% (2017: 4.85%) per annum.

The table below details changes in the Group's liabilities arising from financing activities.

| Group | At 1 January S$ | Cash flow Repayments S$ | Non-cash flow Additions S$ | Non-cash flow Acquisition of subsidiaries (Note 7 (b)) S$ | Non-cash flow Currency realignment S$ | Non-cash flow Transferred to current liabilities held for sale S$ | At 31 December S$ |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| Hire purchase creditors | 216,451 | (129,528) | – | 17,562 | – | – | 104,485 |
| **2017** | | | | | | | |
| Hire purchase creditors | 2,625,434 | (1,803,252) | 2,616,535 | 269,311 | 77,839 | (3,569,416) | 216,451 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 15. DEFERRED TAX 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 deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| Deferred tax liabilities | 9,825,713 | 10,631,741 |
| Deferred tax assets | (276,939) | – |
| | 9,548,774 | 10,631,741 |

The movements in the deferred tax liabilities and assets are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| **Deferred tax liabilities** | | |
| - Accelerated tax depreciation: | | |
| As at 1 January | 10,631,741 | 2,532,139 |
| Currency realignment | – | 49,103 |
| Credited to profit or loss | (806,028) | (787,524) |
| Acquisition of subsidiaries (Note 7) | – | 11,224,939 |
| Transferred to liabilities classified as held for sale (Note 29) | – | (2,386,916) |
| As at 31 December | 9,825,713 | 10,631,741 |
| | | |
| - Other temporary differences: | | |
| As at 1 January | – | 966 |
| Transferred to liabilities classified as held for sale (Note 29) | – | (966) |
| As at 31 December | – | – |
| | | |
| Total deferred tax liabilities | 9,825,712 | 10,631,741 |
| | | |
| **Deferred tax assets:** | | |
| - Other temporary differences: | | |
| As at 1 January | – | (603,810) |
| Currency realignment | – | (17,629) |
| Credited to profit or loss | (276,939) | (210,931) |
| Transferred to liabilities classified as held for sale (Note 29) | – | 832,370 |
| As at 31 December | (276,939) | – |

## 16. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | S$ | S$ | S$ | S$ |
| Trade payables | | | | |
| - third parties [(1)] | 5,608,655 | 3,261,312 | – | – |
| Other payables: | | | | |
| - accrued operating expenses | 767,243 | 681,645 | 457,216 | 356,943 |
| - contract liabilities [(2)] | 121,549 | 50,000 | – | – |
| - due to subsidiaries [(3)] | – | – | 11,000,001 | 11,000,001 |
| - due to a former shareholder of its subsidiary [(4)] | 1,200,000 | – | – | – |
| - deposits received [(5)] | 1,023,911 | 1,077,910 | – | – |
| - other deposits [(6)] | 757,963 | 747,827 | – | – |
| - promissory note payable [(7)] | – | 716,691 | – | – |
| - sundry creditors | 272,819 | 95,315 | – | – |
| - provision for MOM Charge [(8)] | – | 150,000 | – | – |
| - GST payables | 509,383 | 107,407 | | |
| | 4,652,868 | 3,626,795 | 11,457,217 | 11,356,944 |
| Trade and other payables | 10,261,523 | 6,888,107 | 11,457,217 | 11,356,944 |
| Presented as: | | | | |
| Current | 9,613,163 | 6,239,747 | 11,457,217 | 11,356,944 |
| Non-current – deposits received [(5)] (other liabilities) | 648,360 | 648,360 | – | – |
| | 10,261,523 | 6,888,107 | 11,457,217 | 11,356,944 |

(1) The credit period for trade payables generally ranges from 30 to 90 days (2017: 30 to 90 days). No interest is charged on the trade payables for outstanding balances.

(2) Contract liabilities represent advances from customers. As at 1 January 2018, S$50,000 has been recycled as revenue during the year (Note 20).

(3) The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand in cash. Included is an amount of S$11,000,000 (2017: S$11,000,000) pertaining to the novation of amount due from former shareholder of its subsidiary, EMS, as part of the consideration of the acquisition by the Group in the previous financial year ended 31 December 2017 (Note 7 (b)(ii)).

(4) The amount is non-trade in nature, unsecured, interest-free and repayable on demand in cash.

(5) The deposits received pertain to security deposits received from customers from the leasing and service income segment.

(6) The other deposits pertain to deposits placed by potential buyers for the purchase of the Group's financial assets at FVOCI (Note 8). The transaction was made prior to the Group's acquisition of business of EMS in the previous financial year ended 31 December 2017. The Group currently intends to re-negotiate or return the deposits to the potential buyers, since there were no sale and purchase agreements signed for the transaction at the time the deposits were placed by these potential buyers. However, the Group has not been able to contact the potential buyers to date. At the date of these financial statements, the foregoing matter remains status quo.

(7) The promissory note payable pertained to a portion of consideration for the acquisition of its subsidiary, Toko in the previous financial year ended 31 December 2016, which was unsecured, interest-free, and repayable on demand. The amount was novated to the acquirer as part of the consideration on disposal of Toko by the Group completed in the current financial year ended 31 December 2018 (Note 27).

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 16. TRADE AND OTHER PAYABLES (Continued)

(8) The Group recognised a provision of S$150,000 in the previous financial year ended 31 December 2017 as one of its wholly owned subsidiaries, EMS, has been charged with an offence by the Ministry of Manpower ("MOM") for the failure to take sufficient preventive measures as were necessary to ensure the safety of the workers of the contractor in carrying out painting works at a factory located in EMS's leasehold property premises at 60 Benoi Road, Singapore 629906.

On 10 May 2018, the court has imposed a fine of S$120,000 on EMS, which EMS has fully settled the fine imposed by the court before the due date and the remaining S$30,000 has been reversed out from the provision in the current financial year ended 31 December 2018.

The table below details changes in the Group's liabilities arising from financing activities.

| | | Cash flow | | Non-cash flow | | |
|---|---|---|---|---|---|---|
| **Group** | **At 1 January** | **Additions** | **Repayments** | **Currency realignment** | **Transferred to current liabilities held for sale** | **At 31 December** |
| | **S$** | **S$** | **S$** | **S$** | **S$** | **S$** |
| **2017** | | | | | | |
| Due to directors | 263,671 | 127,743 | (141,115) | 1,377 | (251,676) | – |
| Loans from shareholders | 1,730,000 | – | (1,730,000) | – | – | – |
| | 1,993,671 | 127,743 | (1,871,115) | 1,377 | (251,676) | – |

## 17. BOND PAYABLE

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$** | **S$** | **S$** | **S$** |
| As at 1 January | 7,000,000 | – | 7,000,000 | – |
| Issued | – | 7,000,000 | – | 7,000,000 |
| Redeemed | (6,000,000) | – | (6,000,000) | – |
| Elimination in consolidation | (1,000,000) | – | – | – |
| As at 31 December | – | 7,000,000 | 1,000,000 | 7,000,000 |
| | | | | |
| Presented as: | | | | |
| Current | – | 7,000,000 | – | 7,000,000 |
| Non-current | – | – | 1,000,000 | – |
| | – | 7,000,000 | 1,000,000 | 7,000,000 |

The bond payable is due to Poh Huat Heng Corporation Pte. Ltd ("PHH") as the vendor of EMS (Note 7(b)(ii)), which is transferable, has zero coupon and redeemable anytime at the discretion of the Company within 3 years from the date of issuance; i.e. by 20 February 2020. Upon the completion of the acquisition of PHH in December 2018 (Note 7 (b)(i)), PHH became a wholly-owned subsidiary of the Group as at 31 December 2018.

The Bond is classified as a non-current liabilities as at 31 December 2018 as the Company has no intention to redeem the remaining bond within the next twelve months from the reporting date (2017 : Classified as a current liabilities as at 31 December 2017 as the Company has intention to redeem the bond within the next twelve months from the 31 December 2017).

## 18. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Number of ordinary shares | S$ | Number of ordinary shares | S$ |
| **Issued and fully paid** | | | | |
| At beginning of the year | 1,423,018,461 | 28,131,289 | 1,059,038,211 | 22,143,526 |
| Warrants subscription | 7,836,000 | 94,032 | 273,980,250 | 3,287,763 |
| Issuance of acquisition of: | | | | |
| -PHH (Note 7(b)(i)) | 350,000,000 | 7,000,000 | – | – |
| -WPC (Note 7(b)(iii)) | – | – | 20,000,000 | 600,000 |
| -WPP (Note 7(b)(iv)) | – | – | 70,000,000 | 2,100,000 |
| At end of the year | 1,780,854,461 | 35,225,321 | 1,423,018,461 | 28,131,289 |

The newly issued shares rank pari passu in all respects with previously issued shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

In the current financial year, 7,836,000 ordinary shares (2017: 273,980,250 ordinary shares) were issued as a result of the exercise of 7,836,000 warrants (2017: 273,980,250 warrants).

As at the end of the financial year, there are 680,945,760 warrants outstanding (2017: 688,781,760 warrants outstanding).

Share issuance-related costs which are not material have been recognised as an expense in the profit or loss of the Group in the current and previous financial years.

## 19. RESERVES

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

(a) The Group's merger reserve represents the difference between the nominal value of the shares of the subsidiary acquired pursuant to the group restructuring prior to the Company's initial public offering over the nominal value of the Company's shares issued in exchange thereof.

(b) The Group's translation reserve represents exchange differences arising from the translation of the financial statements of the group entities whose functional currencies are different from that of the Group's presentation currency.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 19. RESERVES (Continued)

The movements in the Company's reserves are as follows:

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| **Accumulated losses** | | |
| At beginning of the year | (9,440,753) | (2,892,070) |
| Adjustments on transition to SFRS(I) 9 (Note 35(b)) | (244,612) | – |
| Profit / (loss) for the year | 732,296 | (6,548,683) |
| At end of the year | (8,953,069) | (9,440,753) |

## 20. REVENUE

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Revenue from contracts with customers | 15,525,850 | 7,743,287 |
| Rental income from operating leasehold properties | 4,067,858 | 3,441,644 |
| | 19,593,708 | 11,184,931 |

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services and geographical location based on location of customers.

| | Group | | Total |
|---|---|---|---|
| | **At a point in time** | **Over time** | |
| | **$** | **$** | **$** |
| By type of goods and services and timing of revenue recognition | | | |
| **2018** | | | |
| Leasing and service income: | | | |
| - Service income | – | 4,922,888 | 4,922,888 |
| Manufacturing of precast concrete products: | | | |
| - Sale of goods | 2,943,691 | – | 2,943,691 |
| Supply and manufacturing of ready-mix concrete products: | | | |
| - Sale of goods | 7,439,329 | – | 7,439,329 |
| - Service income | – | 219,942 | 219,942 |
| | 10,383,020 | 5,142,830 | 15,525,850 |
| **2017** | | | |
| Leasing and service income: | | | |
| - Service income | – | 4,194,912 | 4,194,912 |
| Manufacturing of precast concrete products: | | | |
| - Sale of goods | 886,270 | – | 886,270 |
| Supply and manufacturing of ready-mix concrete products: | | | |
| - Sale of goods | 2,605,704 | – | 2,605,704 |
| - Service income | – | 56,401 | 56,401 |
| | 3,491,974 | 4,251,313 | 7,743,287 |

## 20. REVENUE (Continued)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Geographical markets | | |
| Singapore | 15,517,965 | 6,981,643 |
| Malaysia | 7,885 | – |
| | 15,525,850 | 6,981,643 |

Revenue recognised during the financial year ended 31 December 2018 in relation to contract liability balance at 1 January 2018 was S$121,549 (2017: S$50,000) (Note 16).

## 21. OTHER INCOME / (EXPENSES)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Other income comprise of: | | |
| - Bargain purchase from acquisition of a subsidiary (Note 7(b)(ii)) | – | 35,505,457 |
| - Gain on disposal of property, plant and equipment | – | 29,222 |
| - Gain on disposal of financial assets, available-for-sale | – | 600,000 |
| - Parking fees and related charges | 74,582 | 84,178 |
| - Miscellaneous income | 85,795 | 95,991 |
| | 160,377 | 36,314,848 |
| Other expenses comprise of: | | |
| - Impairment loss on goodwill (Note 6) | (1,108,095) | – |
| - Others | (505,301) | (424,855) |
| | (1,613,396) | (424,855) |

## 22. FINANCE INCOME

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Interest income and effective interest rate method: | | |
| - Loans receivable I | 382,355 | 58,042 |
| - Loan receivable II | 159,562 | 111,782 |
| | 541,917 | 169,824 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 23. FINANCE COSTS

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Interest expense: | | |
| - hire purchase | 13,616 | 7,169 |
| - bank borrowings | 328,795 | 121,223 |
| | 342,411 | 128,392 |
| Bank charges | – | 355 |
| | 342,411 | 128,747 |

## 24. (LOSS) / PROFIT BEFORE TAX

This is determined after charging/(crediting) the following:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Continuing operations** | | |
| Amortisation of intangible assets | 494,708 | 412,257 |
| Auditors' remuneration paid/payable to: | | |
| - auditor of the Company | 75,000 | 100,000 |
| - other auditors | 3,343 | – |
| Consultancy fees | 2,077,370 | 540,000 |
| Depreciation of property, plant and equipment | 3,023,525 | 3,060,958 |
| Property, plant and equipment written off | 74,550 | – |
| Impairment loss on financial assets: | | |
| - trade receivables | – | 143,914 |
| - other receivables (Note 33 (iii)(b)) | 50,233 | – |
| Reversal of impairment loss on financial assets: | | |
| - trade receivables (Note 33 (iii)(a)) | (146,125) | – |
| Net impairment loss on financial assets | (95,892) | 143,914 |
| Legal and professional fees | 71,684 | 1,010,080 |
| Rental expenses – operating lease | 572,283 | 295,951 |
| Retainer fee | – | 558,000 |
| Personnel expenses (Note 25) | 2,861,725 | 1,340,985 |
| Utilities | 88,821 | 38,008 |
| **Discontinued operations** | | |
| Amortisation of prepaid land leases | – | 9,438 |
| Depreciation of property, plant and equipment | 272,567 | 1,604,032 |
| Impairment loss on trade receivables | – | 296,922 |
| Impairment loss on property, plant and equipment | – | 1,851,280 |
| Impairment loss on property, plant and equipment as fair value adjustment on assets classified as held for sale | – | 3,982,545 |
| Personnel expenses (Note 25) | 552,354 | 1,816,043 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 25. PERSONNEL EXPENSES

| | Group 2018 $ | Group 2017 $ |
|---|---|---|
| **Continuing operations** | | |
| Directors of the Company: | | |
| - Directors' fees | 247,100 | 180,000 |
| Directors of the subsidiaries: | | |
| - Directors' remuneration and related costs | 563,732 | 135,215 |
| - Defined contributions plan expenses | 55,140 | 56,592 |
| Total key management personnel remuneration | 865,972 | 371,807 |
| **Other personnel:** | | |
| **Continuing operations** | | |
| - Salaries and related costs | 1,840,459 | 952,870 |
| - Defined contributions plan expenses | 155,294 | 16,308 |
| | 1,995,753 | 969,178 |
| **Discontinued operations** | | |
| - Salaries and related costs | 439,468 | 1,694,374 |
| - Defined contributions plan expenses | 112,886 | 121,669 |
| | 552,354 | 1,816,043 |
| | 3,414,079 | 3,157,028 |
| **Total personnel expenses comprise:** | | |
| **Continuing operations** | | |
| - Salaries and related costs | 2,651,291 | 1,268,085 |
| - Defined contributions plan expenses | 210,434 | 72,900 |
| | 2,861,725 | 1,340,985 |
| **Discontinued operations** | | |
| - Salaries and related costs | 439,468 | 1,694,374 |
| - Defined contributions plan expenses | 112,886 | 121,669 |
| | 552,354 | 1,816,043 |
| | 3,414,079 | 3,157,028 |

Total key management personnel remuneration included as above include:

| | Group 2018 $ | Group 2017 $ |
|---|---|---|
| Salaries and related costs | 810,832 | 315,215 |
| Defined contributions plan expenses | 55,140 | 56,592 |
| | 865,972 | 371,807 |

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and respective subsidiaries, including all directors of the Company and respective subsidiaries.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 26. INCOME TAX (CREDIT) / EXPENSE

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Income tax | | |
| - Current | 914,209 | 773,390 |
| - Under / (Over) provision in prior years | 128,584 | (4,563) |
| | 1,042,793 | 768,827 |
| Deferred tax | | |
| - Origination and reversal of temporary differences | (1,082,967) | (593,198) |
| | (40,174) | 175,629 |

The income tax on the (loss) / profit before income tax varies from the amount of income tax determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| (Loss) / Profit before income tax | (1,731,888) | 34,911,147 |
| Income tax calculated at applicable tax rates | (294,421) | 5,934,895 |
| Non-deductible expenses | 864,972 | 210,486 |
| Income not subject to tax | (789,147) | (6,077,980) |
| Tax exemption | (37,818) | (10,000) |
| Singapore statutory stepped exemption | (209) | (25,925) |
| Deferred tax assets not recognised | 364,804 | 148,716 |
| Under / (Over) provision of current income tax in prior years | 128,584 | (4,563) |
| Impact arising from adoption of SFRS(1) 9 | (276,939) | – |
| | (40,174) | 175,629 |

The non-taxable income in the previous year relates mainly to the bargain purchase arising from acquisition of a subsidiary (Note 21).

The corporate income tax applicable to the Company and other entities of the Group, which are mostly incorporated in Singapore, is 17% (2017: 17%).

**Unrecognised tax losses**

Deferred tax assets are recognised for unutilised tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2018, the Group has unutilised tax losses of approximately S$3,166,906 (2017: S$1,021,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses have no expiry dates.

The deferred tax assets arising from these unutilised tax losses of approximately S$538,000 (2017: S$174,000) have not been recognised in accordance with the Group's accounting policy stated in Note 2.

## 27. DISCONTINUED OPERATIONS

Allied Advantage Sdn. Bhd. (“AASB”) and its subsidiary (collectively the “AA Malaysia Group”)

On 28 August 2017, the Group entered into a conditional sale and purchase agreement for the sale of the entire share capital of AA Malaysia Group, which represent the manufacturing of speaker parts operating segment of the Group, for a total consideration of S$7,535,551, the details of which are in the Company’s announcement dated 28 August 2017. As at 31 December 2017, the Group has allocated the foregoing estimated loss to the plant and equipment of AA Malaysia (Note 3(e)). The transaction was completed on 31 January 2018, the date the control of the AA Malaysia Group was passed to the acquirer and accordingly the Group has deconsolidated the AA Malaysia Group from that date.

Toko Construction Pte Ltd (“Toko”)

On 6 October 2017, the Group entered into a conditional sale and purchase agreement for the sale of the entire share capital of Toko, which represent the construction activities operating segment of the Group, for a total consideration of S$739,816, the details of which are in the Company’s announcement dated 6 October 2017. The transaction was completed on 21 February 2018, the date the control of Toko was passed to the acquirer and accordingly the Group has deconsolidated the Toko from that date.

Further details of the assets and liabilities directly related to the subsidiaries disposed of (the “Disposal Group”) are disclosed in Note 29.

(a) The results from the disposal of AA Malaysia Group and Toko from 1 January 2018 and up to the disposal are presented separately on the consolidated statement of comprehensive income as discontinued operation as follows:

| Group | Manufacturing of speaker parts segment S$ | Construction activities segment S$ | Total S$ |
|---|---|---|---|
| **2018** | | | |
| **Loss for the year from discontinued operations** | | | |
| Revenue | 2,873,145 | 480 | 2,873,625 |
| Cost of sales | (6,478,213) | – | (6,478,213) |
| Gross (loss) / profit | (3,605,068) | 480 | (3,604,588) |
| Other income | 104,325 | 3,680 | 108,005 |
| Administrative expenses | (243,676) | – | (243,676) |
| Other operating expenses | (85,460) | (45,759) | (131,219) |
| Finance costs | (87,722) | – | (87,722) |
| Loss before income tax | (3,917,601) | (41,599) | (3,959,200) |
| Income tax | – | – | – |
| Loss for the year attributable to equity holders of the Company from discontinued operations | (3,917,601) | (41,599) | (3,959,200) |
| (Loss) / Gain on disposal of subsidiaries | (558,710) | 505,614 | (53,096) |
| | (4,476,311) | 464,015 | (4,012,296) |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 27. DISCONTINUED OPERATIONS (Continued)

(a) The results from the disposal of AA Malaysia Group and Toko from 1 January 2018 and up to the disposal are presented separately on the consolidated statement of comprehensive income as discontinued operation as follows:

| Group<br>2018 | Manufacturing of speaker parts segment<br>S$ | Construction activities segment<br>S$ | Total<br>S$ |
|---|---|---|---|
| Cash flows from discontinued operations | | | |
| Net cash inflow / (outflow) from operating activities | 219,252 | (1,706) | 217,546 |
| Net cash outflow from investing activities | (116,791) | – | (116,791) |
| Net cash (out flow) / inflow from financing activities | (324,343) | – | (324,343) |
| Net cash outflow from discontinued operations | (221,882) | (1,706) | (223,588) |

(b) Net assets / (liabilities) of the AA Malaysia Group and Toko as at the dates on which control were lost were as follows:

| Group | AA Malaysia Group<br>S$ | Toko<br>S$ | Total<br>S$ |
|---|---|---|---|
| **At 31 January 2018 / 21 February 2018** | | | |
| Assets: | | | |
| Property, plant and equipment | 12,000,158 | 1 | 12,000,159 |
| Prepaid land leases | 421,863 | – | 421,863 |
| Trade and other receivables | 6,990,450 | 8,851 | 6,999,301 |
| Goodwill | – | 685,258 | 685,258 |
| Cash and bank balances | 936,658 | (7,909) | 928,749 |
| Total assets | 20,349,129 | 686,201 | 21,035,330 |
| | | | |
| Liabilities: | | | |
| Deferred tax liabilities | 1,596,645 | – | 1,596,645 |
| Borrowings | 5,371,763 | – | 5,371,763 |
| Hire purchase creditors | 3,674,385 | – | 3,674,385 |
| Trade and other payables | 5,806,856 | 451,999 | 6,258,855 |
| Total liabilities | 16,449,649 | 451,999 | 16,901,648 |
| | | | |
| Net assets disposed of | 3,899,480 | 234,202 | 4,133,682 |
| | | | |
| The aggregate cash inflow arising from disposal were: | | | |
| Net assets disposed of | 3,899,480 | 234,202 | 4,133,682 |
| Reclassification of foreign currency translation reserves | 4,194,781 | – | 4,194,781 |
| | 8,094,261 | 234,202 | 8,328,463 |
| (Loss) / Gain on disposal of subsidiaries | (558,710) | 505,614 | (53,096) |
| Total cash proceed from disposal | 7,535,551 | 739,816 | 8,275,367 |
| Less: Cash and bank balances disposed of in the disposal subsidiaries | (936,658) | 7,909 | (928,749) |
| Net cash inflow on disposal | 6,598,893 | 747,725 | 7,346,618 |

## 27. DISCONTINUED OPERATIONS (Continued)

(c) The results of the discontinued operations included in the consolidated statement of comprehensive income for the financial year ended for 31 December 2017 are set out below.

| Group | Manufacturing of speaker parts segment | Construction activities segment | Total |
|---|---|---|---|
| | S$ | S$ | S$ |
| **2017** | | | |
| **Loss for the year from discontinued operations** | | | |
| Revenue | 17,640,774 | 13,660 | 17,654,434 |
| Cost of sales | (16,008,161) | (6,360) | (16,014,521) |
| Gross profit | 1,632,613 | 7,300 | 1,639,913 |
| Other income | 690,055 | 7,537 | 697,592 |
| Administrative expenses | (1,141,709) | (238,244) | (1,379,953) |
| Other operating expenses | (5,917,119) | (296,922) | (6,214,041) |
| Finance costs | (503,253) | – | (503,253) |
| Loss before income tax | (5,239,413) | (520,329) | (5,759,742) |
| Income tax | 367,201 | (159) | 367,042 |
| **Loss for the year attributable to equity holders of the Company from discontinued operations** | (4,872,212) | (520,488) | (5,392,700) |
| Cash flows from discontinued operations | | | |
| Net cash inflow / (outflow) from operating activities | 2,331,484 | (125,984) | 2,205,500 |
| Net cash outflow from investing activities | (1,719,514) | – | (1,719,514) |
| Net cash (outflow) / inflow from financing activities | (1,556,803) | 125,616 | (1,431,187) |
| Net cash outflow from discontinued operations | (944,833) | (368) | (945,201) |

## 28. EARNINGS PER SHARE

### (i) Basic earnings per share

Basic (loss) / earnings per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The (loss) / eearnings and weighted number of ordinary shares used in the calculation of basic (loss) / earnings per share are as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$ | S$ |
| (Loss) / Profit for the year attributable to equity holders of the Company | (5,670,483) | 29,347,028 |
| (Loss) / Profit used in the calculation of basic (loss) / earnings per share | (5,670,483) | 29,347,028 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**28. EARNINGS PER SHARE (Continued)**

**(i) Basic earnings per share (Continued)**

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| (Loss) / Profit used in the calculation of basic (loss) / earnings per share from continuing operations | (1,658,187) | 34,739,728 |
| (Loss) / Profit for the year from discontinued operations used in the calculation of basic (loss) / earnings per share from discontinued operations | (4,012,296) | (5,392,700) |

**(ii) Diluted earnings per share**

For the purpose of calculating diluted (loss) / earnings per share, the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares that could have been issued upon the exercise of all dilutive warrants.

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive warrants were exercised. The number of shares that could have been issued upon the exercise of all dilutive warrants less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net loss.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

The (loss) / earnings used in the calculation of diluted (loss) / earnings per share are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$** | **S$** |
| (Loss) / Profit used in the calculation of diluted (loss) / earning per share | (5,670,483) | 29,347,028 |
| (Loss) / Profit used in the calculation of diluted (loss) / earnings per share from continuing operations | (1,658,187) | 34,739,728 |
| (Loss) / Profit for the year from discontinued operations used in the calculation of diluted (loss) / earnings per share from discontinued operations | (4,012,296) | (5,392,700) |

The weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| Weighted average number of ordinary shares used in the calculation of basic (loss) / earnings per share | 2,341,295,179 | 1,319,239,496 |
| Effects of dilutive potential ordinary shares: | | |
| - Warrants | 367,814,672 | 413,269,056 |
| | 2,709,109,851 | 1,732,508,552 |

## 29. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in Note 27, the Group entered into separate conditional sale and purchase agreements for the sale of the entire share capital of Allied Advantage Sdn. Bhd. and its subsidiary (the "AA Malaysia Group"), and Toko Construction Pte Ltd (collectively the "Disposal Group").

Details of the assets and liabilities directly related to the Disposal Group at 31 December 2017 were as follows:

| Group | Manufacturing of speaker parts segment | Construction activities segment | Total |
|---|---|---|---|
| | S$ | S$ | S$ |
| **2017** | | | |
| **Assets** | | | |
| Property, plant and equipment (Note 3) | 11,725,260 | 5,033 | 11,730,293 |
| Prepaid land leases (Note 4) | 421,863 | – | 421,863 |
| Goodwill (Note 6) | – | 685,258 | 685,258 |
| Inventories | 3,389,357 | – | 3,389,357 |
| Trade and other receivables | 5,734,821 | 7,176 | 5,741,997 |
| Other current assets | 770,003 | – | 770,003 |
| Cash and bank balances | 939,336 | – | 939,336 |
| Assets classified as held for sale | 22,980,640 | 697,467 | 23,678,107 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 5,464,085 | 161,481 | 5,625,566 |
| Bank borrowings | 5,377,100 | – | 5,377,100 |
| Hire purchase creditors | 3,569,416 | – | 3,569,416 |
| Deferred tax liabilities (Note 15) | 1,555,512 | – | 1,555,512 |
| Provision for income tax | 14,527 | – | 14,527 |
| Liabilities classified as held for sale | 15,980,640 | 161,481 | 16,142,121 |

| | Company 2017 |
|---|---|
| | S$ |
| **Assets** | |
| Assets classified as held for sale | |
| - Investment in subsidiary, Allied Advantage Sdn. Bhd. (Note 7) | 7,000,000 |
| | |
| **Liabilities** | |
| Liabilities classified as held for sale | |
| - Amount due to subsidiary, Allied Advantage Sdn. Bhd. ("AASB") * | 539,653 |

* Pursuant to the terms of the sale and purchase agreement for the sale of the AA Malaysia Group, the Company shall transfer and novate its rights and obligations under the amount due to AASB, and up to the date of the completion of the sale of the AA Malaysia Group, to the acquirer. Further, under the novation agreement, the acquirer and AASB agree to release and discharge the Company from the amount due to AASB, on the basis that, among other things, the acquirer undertakes to be bound by the amount due to AASB in place of the Company. The sale of the AA Malaysia Group was completed on 31 January 2018 and the amount due to AASB that was accordingly novated from the Company to the acquirer as at that date, amounted to the same amount as disclosed above.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 30. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

Transactions with related parties

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | S$ | S$ |
| With the directors of the Company | | |
| Interest on loan from directors | – | 2,741 |

## 31. COMMITMENTS

### (i) Non-cancellable operating lease commitments

*Operating lease commitments*

*The Group as lessor*

The Group leases out its leasehold properties premises under non-cancellable operating leases. At the reporting date, the future minimum lease receivables under these non-cancellable operating leases are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | S$ | S$ |
| Within 1 year | 4,009,780 | 3,421,522 |
| Within 2 to 5 years | 2,107,860 | 2,248,290 |
| | 6,117,640 | 5,669,812 |

*The Group as lessee*

The Group mainly lease its Jurong Town Council's land and factory under a non-cancellable operating lease for 60 years and 2 to 3 years respectively. At the reporting date, the future minimum lease payments under the noncancellable operating lease are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | S$ | S$ |
| Within 1 year | 904,925 | 997,729 |
| Within 2 to 5 years | 2,341,042 | 2,335,766 |
| After 5 years | 7,614,775 | 9,242,649 |
| | 10,860,742 | 12,576,144 |

**31. COMMITMENTS (Continued)**

**(ii) Service commitments**

The Group has non-cancellable service agreements for the rendering of inventory management, warehousing and storage services to third parties in its leasehold properties. At the reporting date, the future minimum service receivables under the non-cancellable service agreement are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | S$ | S$ |
| Within 1 year | 684,240 | 2,044,308 |
| Within 2 to 5 years | 597,660 | 1,406,914 |
| | 1,281,900 | 3,451,222 |

**(iii) Other commitments**

The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next twelve months from the date of authorisation of their financial statements.

**32. SEGMENT INFORMATION**

For management purposes, the Group is organised into business segments based on their products as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each reportable segments represent a strategic business unit and management monitors the segment results (gross profit) of these business units separately for the purpose of making decisions in relation to resource allocation and performance assessment. The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2.

At the reporting date, the Group is primarily engaged in four business segments namely, leasing and servicing *, manufacturing of precast concrete products, and supply, manufacturing of ready-mix concrete products and provision of underground cable installation and road reinstatement (2017: three business segments namely, leasing and servicing, manufacturing of precast concrete products, and supply and manufacturing of ready-mix concrete products). Other segments include investment holding companies which does not meet any of the quantitative threshold for determining reportable segments in 2018 and 2017.

* These pertains to rental income from leasehold properties and providing inventory management, warehousing and storage services.

## 32. SEGMENT INFORMATION (Continued)

| Group | Continuing operations | | | | | Discontinued operations | | |
|---|---|---|---|---|---|---|---|---|
| | Leasing and service income | Manufacturing of precast concrete products | Supply and manufacturing of ready-mix concrete products | Others | Total | Manufacturing of speaker parts | Construction activities | Total |
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **2018** | | | | | | | | |
| Revenue | | | | | | | | |
| - Sale of goods | – | 3,205,112 | 7,439,329 | – | 10,644,441 | 2,873,145 | – | 2,873,145 |
| - Service income | 4,922,888 | – | 219,942 | – | 5,142,830 | – | 480 | 480 |
| - Rental income | 4,975,319 | – | – | – | 4,975,319 | – | – | – |
| - Inter-segment sales | (907,461) | (261,421) | – | – | (1,168,882) | – | – | – |
| Sales to external parties | 8,990,746 | 2,943,691 | 7,659,271 | – | 19,593,708 | 2,873,145 | 480 | 2,873,625 |
| Segment results | 3,898,886 | 169,649 | 1,443,867 | – | 5,512,402 | (3,605,068) | 480 | (3,604,588) |
| Allocated operating income / (expenses) – net | (1,451,561) | (2,093,393) | (1,871,937) | (2,026,905) | (7,443,796) | (224,811) | (42,079) | (266,890) |
| Finance income | 382,355 | – | – | 159,562 | 541,917 | – | – | – |
| Finance costs | (328,794) | (5,933) | (7,684) | – | (342,411) | (87,722) | – | (87,722) |
| Profit / (Loss) before income tax | 2,500,886 | (1,929,677) | (435,754) | (1,867,343) | (1,731,888) | (3,917,601) | (41,599) | (3,959,200) |
| Income tax | 44,076 | (1,039) | – | (2,863) | 40,174 | – | – | – |
| Profit / (Loss) for the year | 2,544,962 | (1,930,716) | (435,754) | (1,870,206) | (1,691,714) | (3,917,601) | (41,599) | (3,959,200) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 60,710,745 | 2,080,999 | 3,154,275 | 19,961,392 | 1,987,832 | 87,895,243 | 20,349,129 | 686,201 | 21,035,330 |
| Segment liabilities | 17,949,374 | 472,180 | 2,874,490 | 4,449,788 | 466,450 | 26,222,382 | 16,449,650 | 451,999 | 16,901,649 |
| Other information: | | | | | | | | | |
| Impairment loss on financial assets, net | (110,389) | (19,018) | (16,718) | – | 50,233 | (95,892) | – | – | – |
| Depreciation expense | 2,661,021 | 116,138 | 245,836 | – | 530 | 3,023,525 | – | – | – |
| Amortisation expense | 494,708 | – | – | – | – | 494,708 | – | – | – |

## 32. SEGMENT INFORMATION (Continued)

| Group | Continuing operations | | | | | Discontinued operations | | |
|---|---|---|---|---|---|---|---|---|
| | Leasing and service income | Manufacturing of precast concrete products | Supply and manufacturing of ready-mix concrete products | Others | Total | Manufacturing of speaker parts | Construction activities | Total |
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **2017** | | | | | | | | |
| Revenue | | | | | | | | |
| - Sale of goods | – | 886,270 | 2,605,704 | – | 3,491,974 | 17,640,774 | – | 17,640,774 |
| - Service income | 4,194,912 | – | 56,401 | – | 4,251,313 | – | 13,660 | 13,660 |
| - Rental income | 4,101,288 | – | – | – | 4,101,288 | – | – | – |
| - Inter-segment sales | (659,644) | – | – | – | (659,644) | – | – | – |
| Sales to external parties | 7,636,556 | 886,270 | 2,662,105 | – | 11,184,931 | 17,640,774 | 13,660 | 17,654,434 |
| Segment results | 2,968,570 | 33,479 | 404,543 | – | 3,406,592 | 1,632,613 | 7,300 | 1,639,913 |
| Allocated operating Income / (Expenses) – net | 34,055,709 | (235,871) | (756,936) | (1,599,424) | 31,463,478 | (6,368,773) | (527,629) | (6,896,402) |
| Finance income | 58,042 | – | – | 111,782 | 169,824 | – | – | – |
| Finance costs | (121,223) | (3,319) | (3,850) | (355) | (128,747) | (503,253) | – | (503,253) |
| Profit / (Loss) before income tax | 36,961,098 | (205,711) | (356,243) | (1,487,997) | 34,911,147 | (5,239,413) | (520,329) | (5,759,742) |
| Income tax | (242,627) | 49,998 | 17,000 | – | (175,629) | 367,201 | (159) | 367,042 |
| Profit / (Loss) for the year | 36,718,471 | (155,713) | (339,243) | (1,487,997) | 34,735,518 | (4,872,212) | (520,488) | (5,392,700) |
| **2017** | | | | | | | | |
| Segment assets | 70,142,089 | 2,558,758 | 3,494,637 | 4,519,505 | 80,714,989 | 22,980,640 | 697,467 | 23,678,107 |
| Segment liabilities | 21,347,077 | 562,265 | 3,233,880 | 8,028,243 | 33,171,465 | 15,720,456 | 421,665 | 16,142,121 |
| Other information: | | | | | | | | |
| Impairment of trade receivables | 114,089 | – | 29,825 | – | 143,914 | – | 296,922 | 296,922 |
| Depreciation expense | 2,683,787 | 41,415 | 330,377 | 5,379 | 3,060,958 | 1,599,001 | 5,031 | 1,604,032 |
| Amortisation expense | 412,257 | – | – | – | 412,257 | 9,438 | – | 9,438 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 32. SEGMENT INFORMATION (Continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets are as follows:

| **2018** | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$** | **S$** | **S$** | **S$** |
| Singapore | 19,585,823 | 11,184,931 | 66,631,412 | 66,005,654 |
| Malaysia | 7,885 | – | – | – |
| | 19,593,708 | 11,184,931 | 66,631,412 | 66,005,654 |

Non-current assets presented above include property, plant and equipment and intangible assets based on the location of the assets.

Information about major customers

There was no single individual customer, which contributed significantly to the Group's revenue.

## 33. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of market risk (including currency risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight on the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes of the management of these risks.

### (i) Market risk

*(a) Currency risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the opinion of the management, the Group and the Company are not subject to significant currency risk arising from fluctuation in foreign exchange rates.

*(b) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Effective interest rate and re-pricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the interest rates and repayment terms are disclosed in the respective notes to the financial statements. The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amount, categorised by the earlier of contractual re-pricing or maturity dates.

### 33. FINANCIAL INSTRUMENTS (Continued)

#### (i) Market risk (Continued)

*(b) Interest rate risk (Continued)*

| Group | Variable rate Less than 1 year S$ | Variable rate 2 to 5 years S$ | Fixed rates Less than 1 year S$ | Fixed rates 2 to 5 years S$ | Non-interest bearing S$ | Total S$ |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Assets** | | | | | | |
| Financial assets, at FVOCI | – | – | – | – | 150,000 | 150,000 |
| Trade and other receivables | – | – | 3,966,018 | – | 12,479,729 | 16,445,747 |
| Other current assets | – | – | – | – | 366,734 | 366,734 |
| Cash and bank balances | 29,342 | – | – | – | 3,086,182 | 3,115,524 |
| Total assets | 29,342 | – | 3,966,018 | – | 16,082,645 | 20,078,005 |
| **Liabilities** | | | | | | |
| Bank borrowings | 3,788,774 | 820,405 | – | – | – | 4,609,179 |
| Hire purchase creditors | – | – | 51,436 | 53,049 | – | 104,485 |
| Trade and other payables | – | – | – | – | 9,630,591 | 9,630,591 |
| Total liabilities | 3,788,774 | 820,405 | 51,436 | 53,049 | 9,630,591 | 14,344,255 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**33. FINANCIAL INSTRUMENTS (Continued)**

**(i) Market risk (Continued)**

*(b) Interest rate risk (Continued)*

Effective interest rate and re-pricing analysis (Continued)

| Group | Variable rate Less than 1 year S$ | Variable rate 2 to 5 years S$ | Fixed rates Less than 1 year S$ | Fixed rates 2 to 5 years S$ | Non-interest bearing S$ | Total S$ |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Assets** | | | | | | |
| Financial assets, available-for-sale | – | – | – | – | 150,000 | 150,000 |
| Trade and other receivables | 6,500,000 | – | 2,000,000 | – | 3,026,053 | 11,526,053 |
| Other current assets | – | – | – | – | 133,989 | 133,989 |
| Cash and bank balances | 1,490,001 | – | – | – | 1,417,941 | 2,907,942 |
| Total assets | 7,990,001 | – | 2,000,000 | – | 4,727,983 | 14,717,984 |
| **Liabilities** | | | | | | |
| Bank borrowings | 5,297,622 | 1,533,212 | – | – | – | 6,830,834 |
| Hire purchase creditors | – | – | 175,447 | 41,044 | – | 216,491 |
| Trade and other payables | – | – | – | – | 6,838,107 | 6,838,107 |
| Bond payable | – | – | – | – | 7,000,000 | 7,000,000 |
| Total liabilities | 5,297,622 | 1,533,212 | 175,447 | 41,044 | 13,838,107 | 20,885,432 |

An 1% (2017: 1%) increase / decrease for the bank borrowings at variable rates at the reporting date would increase / decrease the (loss) / profit after tax by the following amount:

| | Group 2018 S$ | Group 2017 S$ |
|---|---|---|
| (Loss) / Profit after tax | 38,000 | 57,000 |

The Company is not exposed to interest risk as there is no interest-bearing asset and liability as at the financial year ended 31 December 2018 and 2017.

## 33. FINANCIAL INSTRUMENTS (Continued)

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

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

| Group | Carrying amount | Contractual cash flows | | |
|---|---|---|---|---|
| | | Total | Within 1 year | Between 2 to 5 years |
| | S$ | S$ | S$ | S$ |
| **2018** | | | | |
| Bank borrowings | 4,609,179 | 7,117,984 | 5,406,360 | 1,711,624 |
| Hire purchase creditors | 104,485 | 115,638 | 55,491 | 60,147 |
| Trade and other payables | 9,630,591 | 9,630,591 | 9,630,591 | – |
| | 14,344,255 | 16,864,213 | 15,092,442 | 1,771,771 |
| **2017** | | | | |
| Bank borrowings | 6,830,834 | 7,117,984 | 5,406,360 | 1,711,624 |
| Hire purchase creditors | 216,451 | 236,622 | 190,670 | 45,992 |
| Trade and other payables | 6,838,107 | 6,838,107 | 6,838,107 | – |
| Bond payable | 7,000,000 | 7,000,000 | 7,000,000 | – |
| | 20,885,392 | 21,192,713 | 19,435,137 | 1,757,616 |

The table below shows the contractual expiry by maturity of the Company's corporate guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| Company | Within 1 year | Between 2 to 5 years |
|---|---|---|
| | S$ | S$ |
| **2017** | | |
| Financial guarantees * | 1,947,973 | 167,981 |

* Following the completion of the disposal AA Malaysia Group on 31 January 2018, as disclosed in Note 27, the financial guarantees of the Company have been fully discharged in the current financial year ended 31 December 2018.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**33. FINANCIAL INSTRUMENTS (Continued)**

**(iii) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by management.

As at 31 December 2018, the carrying amounts of trade and other receivables, financial assets at FVOCI – equity investment and cash and bank balances (2017: trade and other receivables, financial assets at available-for-sale and cash and bank balances), represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers and borrowers of loan receivables to make payments when due. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables are non-interest bearing and are generally on 30 - 60 days (2017: 30 - 60 days) credit terms.

**Expected Credit Losses**

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company uses a similar approach for assessment of ECLs for its other financial assets to those used for trade receivables

(a) Trade receivables

The Group's exposure to credit risk from trade receivables are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the industry or country brought about by the general economic condition.

## 33. FINANCIAL INSTRUMENTS (Continued)

### (iii) Credit risk (Continued)

**Expected Credit Losses (Continued)**

(a) Trade receivables (Continued)

The Group computes the expected credit loss using probability of default from external rating agencies, where available, taking into account of the industry, payment patterns and historical loss rates for each category of counterparty, as disclosed below:

| Group | Gross carrying amount | 2018 Probability of default rate | ECL allowance |
|---|---|---|---|
| | S$ | % | S$ |
| *Customer's industry:* | | | |
| - Airfreight & logistics | 60,897 | 2.58 | 1,568 |
| - Construction material | 11,440,947 | 4.22 | 510,419 |
| - Consumer services | 147,681 | 1.76 | 2,522 |
| - Integrated oil & gas | 147,616 | 2.58 | 3,802 |
| - Industrial machinery | 310,010 | 4.22 | 13,097 |
| - Trading company & distributors | 75,680 | 4.22 | 3,197 |
| - Trucking | 34,406 | 2.58 | 886 |
| - Others * | 121,960 | 4.22 to 11.19 | 9,434 |
| | 12,339,197 | | 544,925 |

| Group | Gross carrying amount | 2017 Probability of default rate | ECL allowance |
|---|---|---|---|
| | S$ | % | S$ |
| *Customer's industry:* | | | |
| - Airfreight & logistics | 47,394 | 2.95 | 1,398 |
| - Construction material | 2,403,543 | 4.82 | 117,589 |
| - Integrated oil & gas | 84,161 | 2.95 | 2,483 |
| - Industrial machinery | 306,616 | 4.81 | 14,763 |
| - Others | 94,518 | 2.95 to 12.60 | 8,445 |
| | 2,936,232 | | 144,678 |
| Trade receivables subjected to specific impairment as at 31 December 2017 under FRS 36 | 143,914 | | 143,914 |
| | 3,080,146 | | 288,592 |

These are mainly from household products, consumer electronic and home furnishing industries.

**33. FINANCIAL INSTRUMENTS (Continued)**

**(iii) Credit risk (Continued)**

**Expected Credit Losses (Continued)**

(a) Trade receivables (Continued)

The movement of the life-time ECL on trade receivables is as follows:

| | Group S$ |
|---|---|
| Balance at 1 January 2018 | |
| - Per FRS 39 | 143,914 |
| - Initial adoption of SFRS(I) 9 | 144,678 |
| | 288,592 |
| ECL allowance write back recognised during the year (Note 24) | (146,125) |
| ECL arising from acquisition of a subsidiary | 402,458 |
| Balance at 31 December 2018 (Note 11) | 544,925 |

(b) Other receivables, including amount due from subsidiaries

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company have the following financial assets subject to ECL:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 S$ | 2017 S$ | 2018 S$ | 2017 S$ |
| Other receivables: | | | | |
| - loans receivable I | – | 6,558,040 | – | – |
| - loan receivable II | 2,191,343 | 2,031,781 | – | – |
| - loan receivable III | 2,526,290 | – | – | – |
| - due from subsidiaries | – | – | 2,238,122 | 2,318,421 |
| - others | 267,824 | – | – | – |
| Total Gross carrying amount | 4,985,457 | 8,589,821 | 2,238,122 | 2,318,421 |
| ECL allowance | (333,982) | – | (295,736) | – |
| Carrying amount | 4,651,475 | 8,589,821 | 1,942,386 | 2,318,421 |

General 3-stages approach is applied in the ECL assessment of the above financial assets.

## 33. FINANCIAL INSTRUMENTS (Continued)

### (iii) Credit risk (Continued)

(b) Other receivables, including amount due from subsidiaries (Continued)

The movement of the life-time ECL on other receivables are as follows:

| | Group S$ | Company S$ |
|---|---|---|
| Balance at 1 January 2018 | | |
| - Per FRS 39 | – | – |
| - Initial adoption of SFRS(I) 9: Stage 2 | 241,129 | 244,612 |
| | 241,129 | 244,612 |
| ECL allowance recognised during the year | | |
| - Changes in probability of default: Stage 2 (Note 24) | 50,233 | – |
| - New assets originated and changes in probability of default: Stage 3 | – | 51,124 |
| ECL allowance arising from acquisition of a subsidiary (Stage 1) | 42,620 | – |
| Balance at 31 December 2018 (Note 11) | 333,982 | 295,736 |

The Group assessed that the loan receivables are not credit-impaired, based on the definition of default, which is

- The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or
- The financial asset is more than 90 days past due.

The ECL allowance of the Group on the loan receivables is made based on probability-weighted outcome, estimated by the management, with input from probability of default from external credit agency, taking into account the credit enhancement, if any.

Based on the assessment, the Group has determined that the 12-month ECL for Loan receivable III is made under Stage 1 under SRS(I) 9 model, as there has not been significant increase in credit risk since initial recognition in December 208 (acquisition of PHH).

Whereas the Group has determined that the life-time ECL for Loan receivable II is made under Stage 2 under SFRS(I) 9 model, as there has been significant increase in credit risk in the Borrower since initial recongnition.

The life-time ECL allowance of the Company on the amount due from subsidiaries is made based on the financial position of the subsidiaries, and the underlying assets relevant to the ultimate manner of recovery of the amounts. Based on the particular circumstances, the Company has determined that the balances are credit-impaired (Stage 3), as at 1 January 2018 and 31 December 2018.

(c) Cash and bank balances

Bank deposits are with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was immaterial.

**Credit risk information for Financial Year 2017 under FRS 39**

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Financial assets that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

As at 31 December 2017, loans and receivables of the Group which are neither past due nor impaired amounted to S$9,744,934).

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**33. FINANCIAL INSTRUMENTS (Continued)**

**(iii) Credit risk (Continued)**

**Credit risk information for Financial Year 2017 under FRS 39 (Continued)**

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The ageing analysis of trade receivables of the Group past due at the reporting date but not impaired is as follows:

| | Group 2017 S$ |
|---|---|
| Within 30 days | 889,879 |
| 31 to 90 days | 874,096 |
| More than 90 days | 151,133 |
| | 1,915,108 |

The Group's trade receivables individually determined to be impaired at the reporting date and the movements of the allowance account used to record the impairment loss are as follows:

| | Group 2017 S$ |
|---|---|
| Balance at 1 January | – |
| Allowance made during the year | 440,836 |
| Transferred to assets classified as held for sale | (296,922) |
| Balance at 31 December (Note 11) | 143,914 |

The carrying amount of trade receivables individually determined to be impaired at the reporting date is as follows:

| | Group 2017 S$ |
|---|---|
| Trade receivables – nominal amounts | 440,836 |
| Less: Allowance for impairment | (440,836) |
| | – |

The impaired trade receivables arose from long outstanding amounts due from customers which remained unpaid at the reporting date, and accordingly, there are significant uncertainties over the recovery of the amounts due from these customers.

**33. FINANCIAL INSTRUMENTS (Continued)**

**(iv) Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 2017.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share capital, reserves, retained earnings, and net debts, which represent total bank borrowings, bond payable, trade and other payables, and hire purchase creditors less cash and bank balances.

Management monitors capital with reference to net debt-to-equity ratio. The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings, bond payable, trade and other payables and hire purchase creditors less cash and bank balances. Total equity includes equity attributable to equity holders of the Company.

| | Group | |
|---|---|---|
| | 2018 S$ | 2017 S$ |
| Net debt | 11,859,663 | 18,027,450 |
| Total equity | 60,545,396 | 55,026,614 |
| Net debt-to equity ratio | 19.59% | 32.76% |

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

**(v) Financial instruments by category**

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 S$ | 2017 S$ | 2018 S$ | 2017 S$ |
| Financial assets, at FVOCI | 150,000 | – | – | – |
| Financial assets, available-for-sale | – | 150,000 | – | – |
| Loans and receivables: | | | | |
| - Trade and other receivables | – | 11,526,053 | 1,942,386 | 2,318,421 |
| - Other current assets | – | 133,989 | – | – |
| - Cash and bank balances | – | 2,907,942 | 80,864 | 562,493 |
| Financial assets at amortised cost: | | | | |
| - Trade and other receivables | 16,445,747 | – | – | – |
| - Other current assets | 366,734 | – | – | – |
| - Cash and bank balances | 3,115,524 | – | – | – |
| | 20,078,005 | 14,717,984 | 2,023,250 | 2,880,914 |
| Financial liabilities at amortised cost: | | | | |
| - Trade and other payables | 10,261,523 | 6,738,107 | 11,457,217 | 11,356,944 |
| - Bond payable | – | 7,000,000 | – | 7,000,000 |
| - Bank borrowings | 4,609,179 | 6,830,834 | – | – |
| - Hire purchase creditors | 104,485 | 216,451 | – | – |
| | 14,975,187 | 20,785,392 | 11,457,217 | 18,356,944 |

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 34. FAIR VALUES OF FINANCIAL INSTRUMENTS

### (i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2017 and 2018.

The Group's financial assets, at FVOCI (2017: Financial assets, available-for-sale) are quoted in an active market and is measured at fair value (Level 1).

### (ii) Fair value of other financial instruments

Except as detailed below, management considers the carrying amounts of financial assets and liabilities that are not measured at fair value a reasonable approximation of their fair value:

| | Fair value disclosure | | | | |
|---|---|---|---|---|---|
| **Group** | **Level 1 S$** | **Level 2 S$** | **Level 3 S$** | **Total S$** | **Carrying amount S$** |
| **2018** | | | | | |
| Financial Liabilities | | | | | |
| Bank borrowings | – | – | (4,609,179) | (4,609,179) | (4,609,179) |
| Hire purchase creditors | – | – | (104,485) | (104,485) | (104,485) |
| **2017** | | | | | |
| Financial Liabilities | | | | | |
| Bank borrowings | – | – | (6,803,834) | (6,803,834) | (6,803,834) |
| Hire purchase creditors | – | – | (216,451) | (216,451) | (216,451) |

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

*Bank borrowings*

The fair value of interest-bearing bank borrowings is calculated based on the discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the reporting date.

*Hire purchase*

The fair value of hire purchase is determined by discounting the relevant cash flows using the current interest rates for similar instruments at the reporting date.

*Other financial assets and financial liabilities*

The carrying amounts of other financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, other current assets, cash and bank balances and trade and other payables) are assumed to approximate their fair values because of the short-term period of maturity.

# NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

## 35. EXPLAINATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

**Transition and first-time adoption of Singapore Financial Reporting Standards (International)**

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

These are the first financial statements of the Group and of the Company prepared in accordance with (SFRS(I)s).

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

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRSs.

In addition to the adoption of the new framework, the Group also concurrently applied the following (SFRS(I)s), interpretations of (SFRS(I)s) and requirements of (SFRS(I)s) which are mandatorily effective from the same date.

- SFRS(I) 15 Revenue from Contracts with Customers which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;
- SFRS(I) 9 Financial Instruments which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

**(a) SFRS(I) 1**

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

**(b) SFRS(I) 9**

<u>Classification and measurement of financial assets</u>
All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through profit or loss (FVPL)
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- Fair value through Other Comprehensive Income (FVOCI) – Equity investments

## 35. EXPLAINATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (Continued)

### (b) SFRS(I) 9 (Continued)

SFRS(I) 9 eliminates the previous categories of financial assets, namely loans & receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets.

As allowed by short-term exemption in SFRS(I) 1, the Group adopts SFRS (I) 9 on 1 January 2018. The classification and measurement categories are assessed based on facts and circumstances existed at 1 January 2018 for the determination of the business model. Accordingly, the requirement of FRS 39 Financial Instruments: Recognition & Measurement are applied to financial instruments up to the financial year ended 31 December 2017. Difference in carrying amounts of financial assets resulting from adoption of SFRS(I) 9 are adjusted to retained earnings as at 1 January 2018.

The reconciliation of the change in classification and measurement of financial assets (including impairment) and measurement of financial liabilities are explained below:

| | FRS 39 | SFRS(I) 9 | Carrying amount at 1.1.2018<br>FRS 39 | Carrying amount at 1.1.2018<br>SFRS(I) 9 | Retained earnings adjustment at 1.1.2018 |
|---|---|---|---|---|---|
| | Classification of financial assets | | S$ | S$ | S$ |
| **Group** | | | | | |
| Quoted equity shares | AFS | FVOCI (Equity) | 150,000 | 150,000 | – |
| Trade and other receivables | L&R | Amortised cost | 11,526,053 | 11,140,246 | (385,807) |
| Other current assets - Deposit | L&R | Amortised cost | 133,989 | 133,989 | – |
| Cash and bank balances | L&R | Amortised cost | 2,907,942 | 2,907,942 | – |
| **Company** | | | | | |
| Amount due from subsidiaries (included in Trade and other receivables) | L&R | Amortised cost | 2,318,421 | 2,073,809 | (244,612) |
| Cash and bank balances | L&R | Amortised cost | 562,493 | 562,493 | – |

The Group classifies loan receivables included in other receivables as financial assets at amortised costs as it is the Group's business model to collect contractual cash flows on those loan receivables which consist solely principal and interests on the principal amount outstanding.

On 1 January 2018, the Group irrevocably elect to measure the quoted equity shares classified as available-for-sale under FRS 39 (Note 8) as financial assets at FVOCI (Equity) (Note 9) as it represents strategic investment that the Group intend to hold for long term. There is no change in carrying amount as at 1 January 2018 arising from measurement of this instrument under SFRS(I) 9.

The "incurred loss" model in SFRS 39 was replaced by the "Expected Credit Losses (ECL)" model in SFRS(I) 9, which applies to financial assets measured at amortised costs. Impairment loss for trade receivables are provided using the simplified approach at the life time ECL whereas general 3-stages approach is applied in the other receivables for assets within the scope of SFRS(I) 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using SFRS (I) 1-39.

As allowed by SFRS(I), additional impairment resulting from adoption of SFRS(I) 9 are adjusted to retained earnings as at 1 January 2018.

## 35. EXPLAINATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (Continued)

### (b) SFRS(I) 9 (Continued)

Reconciliation of the movement in impairment loss allowance is as follows:

| | Group S$ | Company S$ |
|---|---|---|
| Loss allowance as at 31 December 2017, under FRS 39 | | |
| - Trade receivables | 143,914 | – |
| impairment loss on 1 January 2018, under SFRS(I) 9 | | |
| - Trade receivables | 144,678 | – |
| - Other receivables | 241,129 | – |
| - Due from subsidiaries (non-trade) | – | 244,612 |
| | 385,807 | 244,612 |
| Impairment loss as at 1 January 2018, under SFRS(I) 9 | 529,721 | 244,612 |

Further details of impairment loss are disclosed in Note 33 (iii).

The adoption of SFRS(I) 9 also brought about consequential amendment to SFRS(I) 1 which requires the impairment losses, determined in accordance with SFRS(I) 9, to be presented as a separate line item in the Statement of Profit or Loss and Other Comprehensive Income. An amount of S$440,836 has been reclassified from 'Administrative expenses' to be presented separately on the Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2017.

### (c) SFRS(I) 15

SFRS(I) 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The changes in accounting policy are described below:

- Revenue from sale of goods is recognised upon transfer of control to the customers, usually at the point in time when the goods have been delivered to customers, which coincides with the timing of transfer of risks and rewards to the customers under FRS 18 *Revenue*. The Group normally invoices the customers upon delivery of the goods with 30 to 60 days credit term.

- Revenue from rendering of servicing (inventory management and warehousing) are recognised over time on a straight-line basis for contracts with fixed rate per unit of service as these represent series of repetitive services. The Group also provides transportation services within the "Supply and manufacturing of ready-mix concrete products" segment, and such service contracts provides for fixed rate per unit of service, revenue is recognised on invoiced value as it represents an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as allowed by practical expedient in SFRS(I) 15. This does not result in significant change compared to FRS 18 *Revenue*.

The changes in accounting policy did not result in material difference for prior years.

# STATISTICS OF **SHAREHOLDINGS**

As at 15 March 2019

## SHARE CAPITAL

| | | |
|---|---|---|
| Issued and Fully Paid-up Capital | : | 35,255,321 |
| Number of shares Issued | : | 1,780,854,461 |
| Class of shares | : | Ordinary |
| Voting rights | : | One vote per share |
| Treasury shares | : | Nil |
| Subsidiary holdings | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 1 | 0.16 | 99 | 0.00 |
| 100 - 1,000 | 53 | 8.41 | 40,400 | 0.00 |
| 1,001 - 10,000 | 105 | 16.67 | 452,300 | 0.03 |
| 10,001 - 1,000,000 | 355 | 56.35 | 90,430,700 | 5.08 |
| 1,000,001 AND ABOVE | 116 | 18.41 | 1,689,930,962 | 94.89 |
| **TOTAL** | **630** | **100.00** | **1,780,854,461** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | PHILLIP SECURITIES PTE LTD | 461,980,601 | 25.94 |
| 2 | NG CHUAN HENG | 215,900,000 | 12.12 |
| 3 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 108,854,052 | 6.11 |
| 4 | TAN POH GUAN (CHEN BAOYUAN) | 60,175,000 | 3.38 |
| 5 | TAN JUN HAO (CHEN JUNHAO) | 53,975,000 | 3.03 |
| 6 | TAN ZHEN YING (CHEN ZHENYING) | 53,975,000 | 3.03 |
| 7 | TEO SIEW CHENG | 53,975,000 | 3.03 |
| 8 | CITIBANK NOMINEES SINGAPORE PTE LTD | 50,566,200 | 2.84 |
| 9 | RHB SECURITIES SINGAPORE PTE. LTD. | 43,521,700 | 2.44 |
| 10 | ONG BOON KWONG (WANG WENGUANG) | 31,350,000 | 1.76 |
| 11 | JONATHAN LIM ZHENG JIE | 29,794,100 | 1.67 |
| 12 | NG SOO TIONG | 23,300,000 | 1.31 |
| 13 | LEE MUI HWA | 23,200,000 | 1.30 |
| 14 | LEE LAI SAN (LI LISHAN) | 22,181,000 | 1.25 |
| 15 | LAI CHOONG HON | 21,000,000 | 1.18 |
| 16 | DANIEL POONG MENG HUI | 16,540,000 | 0.93 |
| 17 | ONG BOON SIN (WANG WENXIN) | 15,000,000 | 0.84 |
| 18 | ONG CHIN GUAN | 14,200,000 | 0.80 |
| 19 | ONG KIOT HOU | 13,342,800 | 0.75 |
| 20 | LEE KIAN CHENG | 13,052,000 | 0.73 |
| | **TOTAL** | **1,325,882,453** | **74.44** |

# STATISTICS OF **SHAREHOLDINGS**

As at 15 March 2019

## SUBSTANTIAL SHAREHOLDERS

(As registered in the Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name** | **No. of shares** | **%** | **No. of shares** | **%** |
| Thanaboonchuchai Karnsiri (1) | 277,621,542 | 15.59 | – | – |
| Ng Chuan Heng (2) | 215,900,000 | 12.12 | – | – |

The percentage of shareholding above is computed based on the total issued shares of 1,780,854,461 excluding treasury shares of the Company.

**Notes:**

(1) Thanaboonchuchai Karnsiri has direct interest of 277,621,542 shares held through KGI Securities (Singapore) Pte. Ltd.

(2) Ng Chuan Heng has direct interest of 215,900,000 shares.

## PERCENTARGE OF SHAREHOLDING IN PUBLIC'S HANDS

The percentage of shareholdings of the Company (excluding preference shares, convertible equity securities and treasury shares) held in the hands of the public is approximately 56.07%. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

# STATISTICS OF **WARRANTHOLDINGS**

As at 15 March 2019

## DISTRIBUTION OF WARRANTHOLDINGS

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 - 99 | 0 | 0.00 | 0 | 0.00 |
| 100 - 1,000 | 1 | 1.43 | 570 | 0.00 |
| 1,001 - 10,000 | 6 | 8.57 | 35,830 | 0.00 |
| 10,001 - 1,000,000 | 38 | 54.29 | 3,579,900 | 0.53 |
| 1,000,001 AND ABOVE | 25 | 35.71 | 677,329,460 | 99.47 |
| **TOTAL** | **70** | **100.00** | **680,945,760** | **100.00** |

## TWENTY LARGEST WARRANTHOLDERS

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | THANABOONCHUCHAI KARNSIRI | 164,632,300 | 24.18 |
| 2 | WONG KUM YONG | 75,882,860 | 11.14 |
| 3 | QUEK LAY WAH | 75,095,440 | 11.03 |
| 4 | PRIME UNION INCORPORATED | 44,607,650 | 6.55 |
| 5 | NICHOLAS YEE WEIHAO | 44,426,630 | 6.52 |
| 6 | CHINA ELITE INCORPORATED | 43,324,290 | 6.36 |
| 7 | SY MENG MENG | 36,584,960 | 5.37 |
| 8 | TAN YEW YENG | 35,784,620 | 5.26 |
| 9 | JONATHAN LIM ZHENG JIE | 26,402,000 | 3.88 |
| 10 | YEO SEE YOUNG (YANG SHIYANG) | 23,000,000 | 3.38 |
| 11 | ADVANCE SPRING LIMITED | 21,581,580 | 3.17 |
| 12 | MCWAY CAPITAL LIMITED | 15,000,000 | 2.20 |
| 13 | YEE TAK MENG | 14,000,000 | 2.06 |
| 14 | NEO SAY HWEE | 9,627,620 | 1.41 |
| 15 | HENRY GAS ENGINEERING & DISTRIBUTION PTE LTD | 9,619,510 | 1.41 |
| 16 | LIM AH SOON | 7,300,000 | 1.07 |
| 17 | FOO SHIH CHERN | 6,000,000 | 0.88 |
| 18 | AW YONG LEON HENG | 5,400,000 | 0.79 |
| 19 | TAN YEW CHEONG (CHEN YOUZHANG) | 5,350,000 | 0.79 |
| 20 | LEE LI YING (LI LIYING) | 4,600,000 | 0.68 |
| | **TOTAL** | **668,219,460** | **98.13** |

# NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AA Group Holdings Ltd. (the "**Company**") will be held at 60 Benoi Road, #03-02 EMS Building, Boardroom, Singapore 629906 on Monday, 29 April 2019 at 9.30 a.m. for the purpose of transacting the following businesses:

**ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 of the Constitution of the Company:

   (a) Ms Amelia Vincent **[See Explanatory Note 1]** **(Resolution 2)**
   (b) Mr Ng Ser Chiang **[See Explanatory Note 2]** **(Resolution 3)**

3. To approve the payment of Directors' fees of S$237,258.06 for the financial year ended 31 December 2018. (2017: S$180,000). **(Resolution 4)**

4. To re-appoint Messrs Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modifications:

6. **Authority to allot and issue shares**

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

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

   (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this resolution is in force,

# NOTICE OF **ANNUAL GENERAL MEETING**

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of any Instruments made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be based on the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution, until the issuance of such Shares in accordance with the terms of the Instruments.
**[See Explanatory Note 3]** **(Resolution 6)**

By Order of the Board

Andrew Quah
Company Secretary

Singapore, 12 April 2019

**Explanatory Notes:**

1. Ms Amelia Vincent will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, member of the Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the sections titled "Board of Directors" and "Corporate Governance Report" in the annual report for the financial year ended 31 December 2018 for more information on Ms Amelia Vincent.

2. Mr Ng Ser Chiang will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the sections titled "Board of Directors" and "Corporate Governance Report" in the annual report for the financial year ended 31 December 2018 for more information on Mr Ng Ser Chiang.

# NOTICE OF **ANNUAL GENERAL MEETING**

3. Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a *pro rata* basis to shareholders.

   For determining the aggregate number of Shares that may be issued, the total number of issued Shares will be calculated based on the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company at the time this Resolution 6 is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution 6 is passed, and any subsequent bonus issue, consolidation or subdivision of Shares.

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

3. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member's proxy form appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be either under its common seal or under the hand of any duly authorised officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the registered office of the Company, 7 Kim Yam Road, Singapore 239323, not less than 48 hours before the time appointed for the AGM, failing which the instrument may be treated as invalid.

5. The instrument appointing a proxy must be deposited at the registered office of the Company, 7 Kim Yam Road, Singapore 239323, not less than 48 hours before the time of the AGM.

6. Investors who have used their CPF account savings to buy shares in the capital of the Company and who wish to attend the AGM as observers are to register with their respective CPF agent banks.

7. A depositor's name must appear in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) maintained by The Central Depository (Pte) Limited not later than 72 hours before the time of the AGM in order for the depositor to be entitled to attend and vote at the AGM.

# NOTICE OF **ANNUAL GENERAL MEETING**

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representative appointed for the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over 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 representatives to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representatives for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

*This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.*

*The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com.*

## AA GROUP HOLDINGS LTD.

(Company Registration No. 200412064D)
(Incorporated in the Republic of Singapore)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy AA Group Holdings Ltd. shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the AGM.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We ______________________________ (Name) ______________________________ (NRIC/Passport No.)

of ____________________________________________________________ (Address)

being a member/members of **AA GROUP HOLDINGS LTD.** (the "**Company**") hereby appoint:

| **Name** | **NRIC/Passport No.** | **Proportion of shareholdings to be represented by proxy** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

*and/or

| **Name** | | **NRIC/Passport No.** | **Proportion of shareholdings to be represented by proxy** | |
|---|---|---|---|---|
| | | | **No. of Shares** | **%** |
| **Address** | | | | |

or failing *him/her/them, the Chairman of the meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 60 Benoi Road, #03-02 EMS Building, Boardroom, Singapore 629906 on 29 April 2019 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the ordinary resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Note: Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the notice of the Meeting. In the absence of specific directions or in the event of any item arising at the Meeting not summarised below, the proxy/proxies may vote or abstain from voting as he/she/they may think fit.

| **No.** | **Ordinary Resolutions relating to:** | **For** | **Against** |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1. | Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 | | |
| 2. | Re-election of Ms Amelia Vincent as a Director | | |
| 3. | Re-election of Mr Ng Ser Chiang as a Director | | |
| 4. | Approval of Directors' fees of S$237,258.06 for the financial year ended 31 December 2018 | | |
| 5. | Re-appointment of Crowe Horwath First Trust LLP as Auditors | | |
| | **SPECIAL BUSINESS** | | |
| 6. | Authority to allot and issue shares | | |

**Note:** Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this __________ day of ______________ 2019.

| **Total Number of Shares in:** | **No. of Shares** |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

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

**Delete where applicable*

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in the relevant sections of the Securities and Futures Act (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the above Annual General Meeting of the Company ("**AGM**") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act (Cap. 50)) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.

4. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member's proxy form appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

5. In any case where more than one proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company, 7 Kim Yam Road Singapore 239323, not less than 48 hours before the time appointed for the AGM.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall, if required by law, be duly stamped and be deposited at the registered office of the Company, 7 Kim Yam Road Singapore 239323, not less than 48 hours before the time appointed for the AGM, failing which the instrument may be treated as invalid.

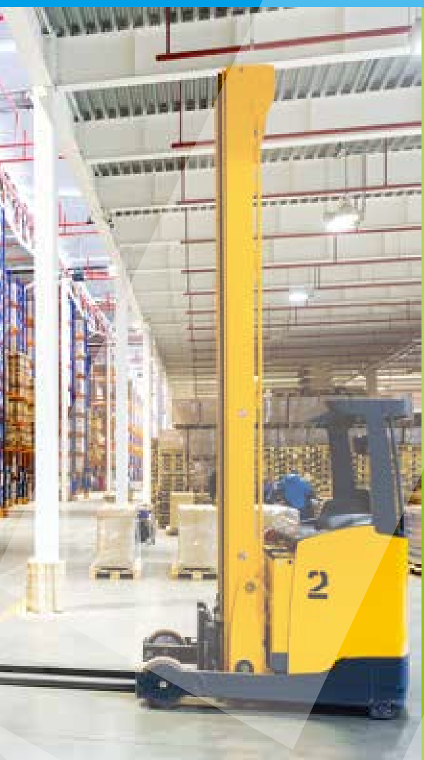
9. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act (Cap. 50).

10. Completion and return of this proxy form appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

11. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

12. CPF Investors who buy Shares in the Company may attend and cast their vote at the AGM in person. CPF Investors who are unable to attend the AGM but would like to vote, may inform their CPF Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF Investors shall be precluded from attending the AGM.

**Personal Data Privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for 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, take-over 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 such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.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**AA GROUP HOLDINGS LTD.**
(Company Registration Number : 200412064D)

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