ADVANCE SCT LIMITED
FY 2017
Sustainability Report



FY2017 SUSTAINABILITY REPORT

ABOUT THIS REPORT

We present herewith our first annual sustainability report (the "**Sustainability Report**") for Advance SCT Limited (the "**Company**" or "**ASCT**"). This report outlines ASCT's Environmental, Social and Governance ("**ESG**") performance for the financial year ended 31 December 2017 ("**FY2017**"). The Group's Sustainability Report for FY2017 demonstrates the Group's consideration of sustainability issues surrounding the Group's existing business strategies.

As this Sustainability Report is our maiden report relating to ASCT's existing trading business, we thus believe that there are many areas of reporting details, reporting frameworks, report contents and information quality which we need to improve in time to come. As such, this report may not have necessarily documented or provided a comprehensive list of information relating to the existing business.

In addition, we have recently announced the proposed business diversification plans for ASCT (*Please also refer to below notes for details of major corporate development since June 2018*). Upon implementation of these diversification plans for ASCT, our investment parameters will vary and our key ESG factors will inevitably change. Hence, the details included herein are not necessarily relevant to the proposed new businesses, which we will have to review, evaluate and update the ESG factors accordingly in due course. Whilst we recognise that we need significant improvement here, ASCT is committed to good corporate governance and sustainable business practices by identifying relevant ESG factors for the existing business and in the near future, for the new businesses.

In the meantime, we consider sustainability issues as part of strategic formulation and we endorse the material ESG factors presented in this Sustainability Report. We also provide oversight of the management and monitoring of these material ESG factors, through periodic review of the key performance indicators. However, we have not obtained external assurance for this Sustainability Report and we have relied on internal verification to ensure the accuracy of data provided in this report.

Since the end of FY2017, the Company had, *inter alia*, on 7 November 2018, announced proposed diversification plans to enter into the business of the highly specialised M&E and Infrastructure Engineering with intention to support smart city application and smart facilities management. The Group will therefore continue to review and include other ESG factors which could be relevant and material to the new business strategies upon implementation of the proposed business diversification strategies.

This Sustainability Report is available in PDF form for download on our website at https://www.advancesct.com/.

We also welcome stakeholders' feedback on this report at asct-sustainability@advancesct.com.

SCOPE OF REPORT

In line with the Singapore Exchange's Listing Rules 711A and 711B for listed companies, the Sustainability Report focuses on addressing material ESG factors for the existing trading business of ASCT to provide a meaningful overview on the sustainability concerns managed.

FY2017 SUSTAINABILITY REPORT

MATERIAL ASPECTS ASSESSMENT

Our sustainability process is set out below and begins with the identification of relevant aspects. Relevant aspects are then prioritised to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the Sustainability Report.

IDENTIFICATION --> PRIORITISATION --> VALIDATION --> REVIEW

We engaged our employees and sought internal stakeholders' feedback for prioritisation of these topics. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements. In order to determine if an aspect is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders.

MATERIAL ESG FACTORS

The Group has identified certain key ESG factors in connection with the existing trading business:

(i) Sustainable procurement practices
(ii) Traceability of Supply Chain
(iii) Customer Satisfaction
(iv) Creditability of Customers
(v) Economic Performance
(vi) Corporate Governance

This Sustainability Report and the Corporate Governance Report (as set out in the FY2017 annual report under the section entitled "Corporate Governance Statement") addresses these material ESG factors. We are in the process of compiling data to form a trend for the purpose of setting targets on the material factors as described above. Taking further into account the proposed business diversification announced in November 2018 and the possibility of evaluating other ESG factors which could be relevant and material to the new business strategies, the process of target setting relating to the new businesses is deferred till a time when adequate data is available or when more relevant and material ESG factors are evaluated, to set reasonable targets.

SUSTAINABLE PROCUREMENT PRACTICES
TRACEABILITY OF SUPPLY CHAIN

As a small commodities trader, the Environment aspects which are relevant to the Group includes the sustainable procurement practices as well as the traceability of supply chain.

While implementing sustainable procurement practices, the Group has made a conscientious effort to source from local trading houses and suppliers which are licensed by the Monetary Authority of Singapore ("**MAS**") since end of 2017. Prior to which, the Group relied fully on foreign trading houses and suppliers. As at the end of FY2017, the Group has shifted 34% of our trades to local counterparts.

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

FY2017 SUSTAINABILITY REPORT

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

CUSTOMER SATISFACTION
CREDITABILITY OF CUSTOMERS

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

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

DIRECT ECONOMIC PERFORMANCE

Please refer to following table for summary of our economic performance for the last 2 years ended 31 December 2016 and 31 December 2017, as extracted from the financial statements. For complete financial statements, please refer to our FY2017 annual report.

	Key Financial Performance Indicator (S$'000)	
	FY2017	FY2016
Revenue	79,692	46,843
Gross Profit	1,427	375
Other Income	1,860	350
Net Profit / (Loss)	1,508	(8,522)

CORPORATE GOVERNANCE

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

For a more detailed discussion on the Group's Corporate Governance practices, please refer to the FY2017 annual report under the section entitled "Corporate Governance Statement".

COMMITMENT TO SHAREHOLDERS

The Group views two-way communication with shareholders highly relevant for the sustainable development of the Group. Apart from updating relevant details in the Corporate Governance Report in its annual report to Shareholders, the Group will provide timely updates to shareholders for all important corporate developments on the stipulated platform.

FY2017 SUSTAINABILITY REPORT

Since the end of FY2017, there have been major corporate developments taking place. Arising from which, the Group made six major announcements since June 2018 to the date of this report, specifically:

- on 19 June 2018, appointment of Mr Teh Wing Kwan as the Non-Executive Chairman of the Company after he emerged as substantial shareholder owning 28.7% interest in the Company;

- on 24 July 2018, the Appointment of Mr Teh Wing Kwan as the Executive Chairman and CEO of the Company taking on strategic roles to evaluate business diversification strategies;

- on 20 August 2018, the Company's strategic collaboration with the Tokyo-Exchange listed Dai Dan Ltd and the Singapore-based N&T Engineering Enterprise Pte Limited exploring opportunities in the business of Mechanical and Electrical engineering mainly in Singapore and Southeast Asia;

- on 7 November 2018, the Company's proposed diversification plans to enter into the business of the highly specialised M&E and Infrastructure Engineering with intention to support smart city application and smart facilities management;

- on 7 November 2018, the proposed change of the Company's name to Citicode Ltd reflecting the new business directions; and

- on 7 November 2018, a press release for the proposed diversification and change of name.

On 8th November 2018, an Extraordinary General Meeting ("**EGM**") was held to obtain Shareholders' approval on the Proposed Change of Auditors. In addition to discussions on the agenda of the EGM, the Board also took the chance during the meeting to interact with the shareholders as this was the time when the shareholders first met with the newly appointed directors. Both directors and shareholders had frank discussions during which shareholders were updated on the background of the newly appointed directors, strategic business directions for the announced proposed diversification and going forward strategies.

In addition, we will also be seeking shareholders' approval in an EGM to be convened for the proposed diversification in due course.

MOVING AHEAD

As mentioned in the above, given the proposed diversification, we updated that we will evaluate acquisition targets, explore joint venture opportunities and discuss on strategic collaboration structure. Given so, the above material ESG as assessed by the Group for this Sustainability Report will vary in time to come. The Group will be updating the material ESG factors as and when necessary under the new investment parameters.