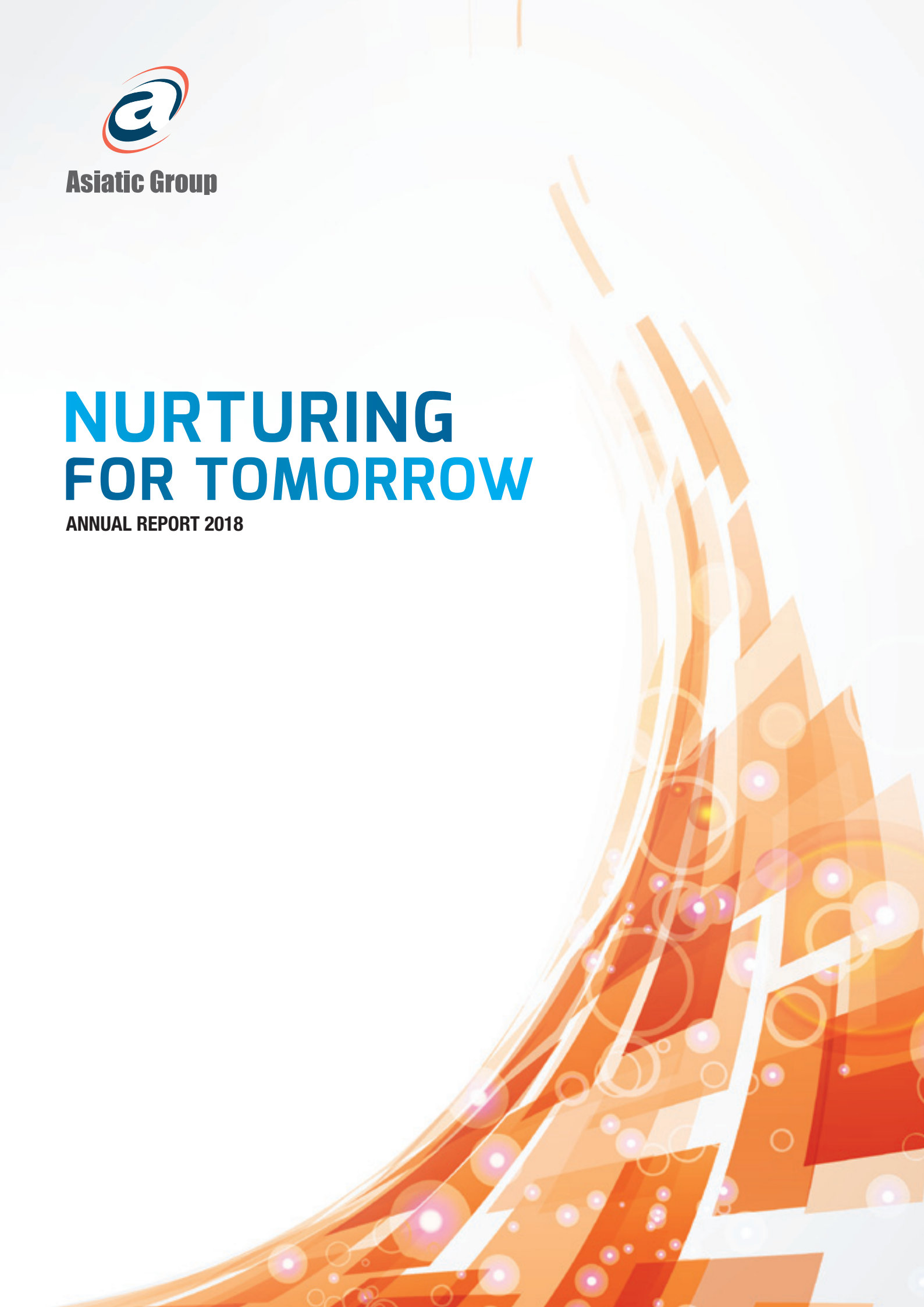




Asiatic Group

NURTURING FOR TOMORROW

ANNUAL REPORT 2018



ABOUT ASIATIC GROUP

We are an engineering management specialist playing a pivotal role in the development of two key sectors:

- **ENERGY**
- **FIRE PROTECTION SOLUTIONS**



ENERGY

We provide Planning and Development services and participate as an Equity Investor in niche power plant projects in the region. We operate as an EPC (engineering, procurement and construction) and O&M (Operation and Maintenance) contractor.

FIRE PROTECTION SOLUTIONS

We provide total Fire Protection Solutions such as systems and product design, supply, installation and commissioning for the maintenance of fire protection equipment and systems.

We manufacture most of our fire extinguishers and assemble most of our fire fighting products such as hose reels, hydrants, alarm systems and emergency lighting, under our brand name KILLFIRE.



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Proxy Form

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not 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 accuracy, completeness or correctness of any of the statements, information or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

MESSAGE TO SHAREHOLDERS



Tay Kah Chye

Independent Chairman

Tan Boon Kheng

Managing Director

DEAR SHAREHOLDERS

We are pleased to share the performance of the Group for the financial year ended 31 March 2018 ("FY2018"). During the financial year, the Group continued to improve its operational efficiency, paving the way to capitalise on the eventual upturn of the markets where we operate. While the slowdown of the oil and gas industry continues to be felt, we have persevered and delivered stable results and remain profitable.

BUSINESS AND FINANCIAL REVIEW

Our regions of operations continue to be promising with developing Asia growing by 6.1% in 2017. Cambodia, which houses three of our fossil fuel power plants, had a GDP growth of 7.0% in 2017 and is expected to maintain this rate for next two years, on the back of robust exports, buoyant tourism, and strong foreign direct investment. Malaysia, home to our first biomass power plant, saw GDP grow by 4.2% in 2016 to 5.9% in 2017. The growth was driven by a revival in exports and strong domestic demand and Malaysia is expected to grow at above 5% for 2018 and 2019. Similarly, Singapore saw its growth rate enhance from 2.4% in 2016 to 3.6% in 2017 and is expected to average about 3% growth for the next two years¹.

Against this backdrop of improving economic performance, Group revenue remained largely stable at S\$38.1 million, a 0.1% increase from the S\$38.0 million in FY2017. The Group's profit from operations was higher in FY2018 at S\$2.7 million, a 46.4% or S\$0.9 million increase from the S\$1.8 million reported in FY2017.

We continue to maintain profitable operations in FY2018 with the Group's profit after tax more than doubling, rising by approximately S\$0.8 million to S\$1.4 million in FY2018 from S\$0.6 million in FY2017.

STAYING FOCUSED

A decade ago, the Group expanded into the energy business as our assessments projected limited expansion opportunities locally for our fire protection solutions business. After much deliberation, we set our sights on diversifying into the energy business in frontier countries. Despite being capital intensive, we perceived it to be a suitable course to benefit shareholders in the long term. Although the energy business has seen its fair share of challenges due to the demanding operating environment and challenging global climate, we have weathered them and gained invaluable experience and expertise which are critical for long-term sustainability in the energy business.

⁽¹⁾ <https://www.adb.org/sites/default/files/publication/411666/ado2018.pdf>

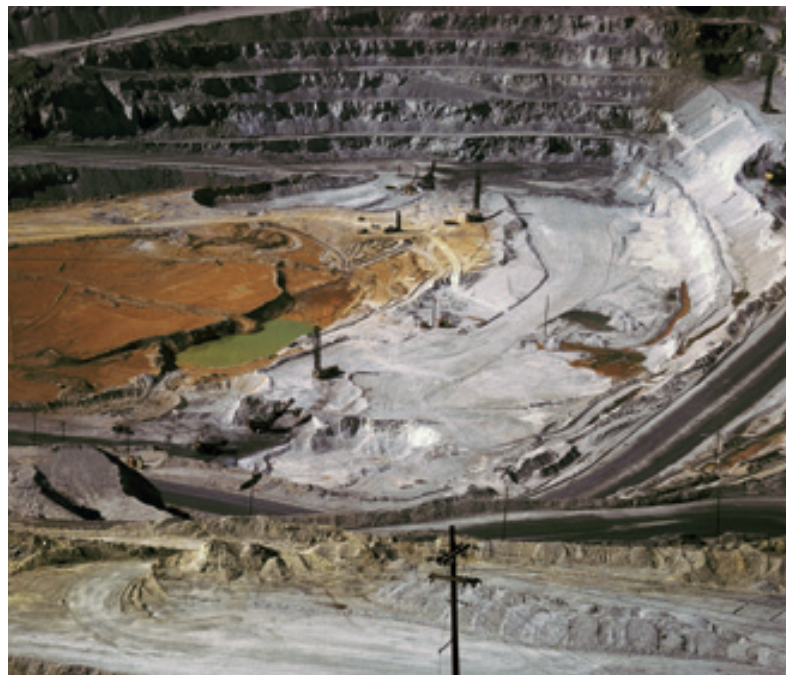
Fast forward till today, we have several projects under our belt and are constantly exploring new avenues to grow our portfolio and capabilities. To illustrate, we had successfully increased the capacity of our Maju Intan Power Plant since starting operations in 2015 due to alterations and additional upgrading work undertaken during FY2018. Each project and upgrade strengthens our expertise in building better energy solutions and thus greater returns for our stakeholders.

At the same time, we have always engaged in cost management strategies like the wage freezes to Executive Directors for last couple of years to ensure our competitiveness in a challenging operating environment. The Company will moving forward hire a professional HR firm to review our executives' compensation to ensure that it is in line with industry standards. While the professional HR firm will make their recommendations to the Board, the Executive Directors and key management have collectively taken a step further by voluntarily reducing their salaries for FY2019 by 10 – 15% so as to enhance operating cashflow and help the Group's improve its overall financial performance.

LOOKING AHEAD

Prospects for Asia are vibrant with a projected GDP growth of 6.0% in 2018 and 5.9% in 2019. Excluding Asia's high-income newly industrialised economies, the prospects for growth in Asia should reach 6.5% in 2018 and 6.4% in 2019. Traction for economic expansion is expected to come from strong external demand, supported by a further pickup in the major industrial economies, and robust domestic demand.²

For Cambodia, the aforementioned growth momentum is likely to be sustained with inflation edging up and the current account deficit may widen before narrowing in 2019.³ This translates to a steady if not growing demand for energy which should auger well for our three power plants in the country. We have also received a letter of extension for the power purchase agreement from Electricite Du Cambodge, a state-owned electricity company in Cambodia.



This would entail two power plants providing power for the country till April 2019 and may be potentially extend further as the country is still expected to be short of power, especially during the dry season.

In Malaysia, GDP growth has been projected at 5.3% in 2018 and 5.0% in 2019. While some of the strong external demand in 2017 has carried over to 2018, the momentum is expected to slow down further into the year.⁴ We will continue to monitor the developments of the market carefully and take into account the impact of possible changes in policies arising from the historic change in government.

Lastly at our base of operations in Singapore, GDP growth is expected to slow slightly in 2018 and 2019, supported by strong but moderating exports of manufacturers.⁵ Though the marine and oil and gas sector show signs of recovery, we anticipate that there may be a gestation period which would mean that the outlook for our fire fighting and protection segment may remain challenging.

^{(2) (3) (4) (5)} <https://www.adb.org/sites/default/files/publication/411666/ado2018.pdf>

MESSAGE TO SHAREHOLDERS

Demand for energy in Southeast Asia is expected to climb as the developing nations continue to strengthen their infrastructure. Strong economic growth in ASEAN has fuelled a 70% increase in energy demand since the year 2000, and the region now accounts for 5% of total global demand.⁶ The Group has come a long way since its first foray into the energy business and amassed the experience and expertise which allows the Group to be well positioned to undertake future projects. We will continue to conscientiously explore new energy-related opportunities in the region, leveraging on the foundations we have built to deliver long-term value to our stakeholders.

BOARD RENEWAL

As part of the good corporate governance practice of Board renewal, two of our Directors, Mr Tan Boon Yew and Mr Seah Hai Yang, have decided not to put themselves up for re-election to the Board of the Company. This will give the Company the opportunity to rejuvenate its Board with the introduction of new directors that have the requisite experience and expertise to guide the Company on its long term growth path as a regional energy player. The Board wishes to express its deepest appreciation to Mr Tan Boon Yew and Mr Seah Hai Yang for their years of dedicated service to the Company.

ACKNOWLEDGEMENTS

On the behalf of the board, we would like to once again thank our business partners, management, staff and shareholders for their invaluable support and faith. We look forward to continuing our journey with you as we continue building the Group as a key player in the energy business within the region.

TAY KAH CHYE

Independent Chairman

TAN BOON KHENG

Managing Director

⁽⁶⁾ http://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_SoutheastAsiaEnergyOutlook.pdf

OUR INVESTMENTS

With four operating power stations, Asiatic stands as an eminent key player in the regional power business. In line with the increasing global recognition of sustainable energy sources, we will continuously upgrade our power stations to optimise operating efficiencies. We have also engaged in preliminary studies to explore the possibilities of harnessing other alternative sustainable energy sources as we look towards charting our long-term growth.

A stylized map of Southeast Asia, including parts of China, Laos, Cambodia, Thailand, Vietnam, Malaysia, and Indonesia. The map is filled with a light blue grid pattern. Five orange squares mark specific locations, each with a line pointing to a label. The labels are: PHNOM PENH POWER PLANT (in Cambodia), PPSEZ POWER PLANT (in Laos), SIHANOUKVILLE POWER PLANT (in Cambodia), MAJU INTAN BIOMASS POWER PLANT (in Malaysia), and CORPORATE HEAD OFFICE, SINGAPORE (in Singapore).

PHNOM PENH POWER PLANT

PPSEZ POWER PLANT

SIHANOUKVILLE POWER PLANT

MAJU INTAN BIOMASS POWER PLANT

CORPORATE HEAD OFFICE, SINGAPORE

ENERGY

We believe that we are in the right businesses - businesses that meet growing needs of the future and provide solutions and products to the expectations and challenges that our region is facing. Our energy business is a service provider for industry and communities, supporting industrialization. Envisioning the future of “green” power, our investments into sustainable energy businesses in emerging markets will expand gradually.



MAJU INTAN BIOMASS POWER PLANT

Located in Teluk Intan Perak, Malaysia, this 12.5 MW Build, Own and Operate Biomass Power Plant utilizes 100% biomass waste material called Empty Fruit Bunches (EFB), a waste material after extraction of palm oil by Palm Millers.



PHNOM PENH POWER PLANT

Located in Phnom Penh, Cambodia. A Build, Own and Operate investment since 2007, this 10MW fossil fuel power plant has been providing electricity to the national grid.



PPSEZ POWER PLANT

Located in the Phnom Penh Special Economic Zone, Cambodia. A Build, Own and Operate investment since 2008, this fossil fuel power plant consists of three 6.5 MW generator sets providing electricity to the industrial factories and facilities inside the Industrial Park.



SIHANOUKVILLE POWER PLANT

Located in Sihanoukville, Cambodia. A Build, Own and Operate plant since 2007, this fossil fuel power plant investment with capacity of producing 10 MW of electricity has been providing electricity to the national grid.



FIRE PROTECTION SOLUTIONS



Asiatic Fire protection business unit has developed into a specialised fire fighting manufacturer and experienced service station. It handles products that are technologically advanced and most importantly, competitively priced in this sensitive market. It is recognised by local and international statutory boards such as Lloyd's Register, Det Norsk Veritas, Singapore Civil Defence Force, American Bureau of Shipping, Italian Rina and the United States of America Department of Transport (US-DOT).



OPERATIONS REVIEW

For the financial year under review, Group revenue was largely unchanged at S\$38.1 million as compared to the S\$38.0 million in FY2018. Revenue contribution from the power-related division rose by 2.2% due to higher demand for electricity for our plants in Cambodia. In contrast, the fire-fighting division recorded a lower revenue of 2.9% due to the lower sales from the industrial fire-fighting business during FY2018 as most of our clients continued to be weighed down by the depressed marine, oil and gas sector.

PROFITABILITY

The Group's profit from operations increased by about S\$0.9 million from S\$1.8 million in FY2017 to S\$2.7 million in FY2018. Cost of sales was also higher at S\$24.5 million, a S\$1.5 million increase from S\$22.9 million in FY2017 due to higher cost of raw materials.

Depreciation of property, plant and equipment was lower in FY2018 by approximately S\$1.2 million as the net book value of some power plant assets which are still operational have reached their respective residual values. The Group recorded a higher foreign exchange gain of S\$0.2 million in FY2018, as compared to a gain of S\$0.1 million in FY2017. Other operating expenses decreased from S\$3.3 million in FY2017 to S\$2.9 million in FY2018 mainly due to the absence of a one-off transaction expenses incurred for the divestment/monetisation of the investment in Lao Cai Renewable Energy (Vietnam) Joint Stock Company incurred in FY2017. The share of loss incurred by associates decreased from S\$1.6 million in FY2017 to S\$0.7 million in FY2018 following improved efficiency in the operations of Maju Intan Biomass Energy Sdn Bhd ("MJE").

OPERATIONS REVIEW

For FY2018, finance costs remained largely unchanged. Income tax expense was higher due to the increase in profit. It rose to S\$0.5 million from S\$0.4 million recorded in FY2017.

Taking into account the aforementioned factors, the Group's profit after tax increased by approximately S\$0.8 million to S\$1.4 million in FY2018 from S\$0.6 million in FY2017.

OTHER COMPREHENSIVE INCOME

The Group recorded a foreign currency translation loss on foreign operations amounting to S\$2.5 million. In comparison, there was a S\$0.9 million translation gain in FY2017. The translation loss was mainly due to the weakening of US dollar against Singapore dollar at the end of FY2018 arising from the translation of foreign currency denominated assets to Singapore dollar reporting currency. The charge was directly accounted for in statement of changes in equity under translation reserve.

BALANCE SHEET

As at 31 March 2018, non-current assets increase by S\$17.7 million to S\$86.7 million from S\$69.0 million as at 31 March 2017. This was mainly due to the reclassification of an amount due from associate, MJE from current assets, amounting to S\$17.3 million which is not expected to be repaid within the next 12 months and an increase in investment in associate arising from a capitalisation of construction in progress, net of accumulated share of losses in MJE amounting to S\$5.1 million. This was done to support MJE's effort in improving efficiency of the plant. The increase was partially offset by the decrease in the net book value of property, plant and equipment due to depreciation.

OPERATIONS REVIEW

On the other hand, current assets decreased by S\$23.0 million mainly due to the reclassification of an amount due from associate and construction in progress from current assets to non-current assets as described above. This was partially offset by an increase in trade receivables by S\$0.9 million to S\$6.5 million from S\$5.6 million as at 31 March 2017 due to higher sales made towards the last quarter of FY2018 as compared to the same period in FY2017.

Meanwhile, current liabilities increased by S\$0.2 million to S\$33.2 million as at 31 March 2018 from S\$33.0 million as at 31 March 2017 due to the reclassification of non-convertible bonds due in March 2019 from non-current to current liabilities. This was partially offset by the decrease in trade payables from S\$7.4 million as at 31 March 2017 to S\$4.8 million as at 31 March 2018 due to the increased payment made to suppliers during the year.

Non-current liabilities decreased by approximately S\$4.2 million mainly due to the classification of the non-convertible bonds as described above.

As at 31 March 2018, the Group had a net current liabilities position of S\$20.1 million as compared against a net current assets position of S\$3.2 million in FY2017. In FY2018, the net current liabilities arose from the utilisation of short-term financing on the Group's energy projects in Cambodia and Malaysia, as well as the reclassification arising from the deferment of amount due from MJE, and the capitalisation of construction in progress to net investment in associates. The Group has been closely monitoring the performance of the Maju Intan plant and noted its continued improvements. The Group is currently in negotiations to restructure existing loans to improve its liquidity position. In addition, subsequent to FY2018, the Group has successfully rolled over approximately S\$14.1 million of short term loans and continues to fulfil its debt obligations. A substantial portion of the term loans are secured by the Group's power plant assets and factory building and the Group continues to be in a net asset position of S\$62.7 million as at 31 March 2018.

Based on the foregoing, the Board believes that the Group will be able to operate as a going concern and is of the view that the Group's working capital is sufficient to meet its present requirements and for the next twelve months.

CASH FLOW

During FY2018, net cash used in operating activities amounted to S\$1.1 million. This was mainly due to the cash used to pay trade and other payables. Net cash flow used in investing activities amounted to S\$0.4 million was utilised to purchase property plant and equipment. The Group recorded a net cash outflow from its financing activities of S\$0.1 million in FY2018 due to an increase in pledged deposits. Overall cash and cash equivalents decreased by S\$1.6 million during FY2018.

OUTLOOK

Southeast Asia continues to exhibit significant potential for future energy projects as the regional demand is expected to steadily climb in tandem with the evolving needs of its people. The region's GDP has grown at over 6% per annum in the past decade but approximately 20% of its population is still without access to electricity.¹

Furthermore, renewable energy continues to be promising as projections estimate a more rapid adoption rate than Europe as there is an urgent need for additional power generation capacity to complement the region's growth along with the benefit of more competitive costs today.

The importance and impact of renewable energy in the region is prevalent on the global stage as its strong growth, along with a notable upswing in emerging Europe, and signs of recovery in several commodity exporters were the key drivers behind the world's 3.8% growth in 2017. On the same page, global growth is expected to tick up to 3.9% this year and the next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States.²

However, we temper enthusiasm with caution as recent developments may prove disruptive. The recent import restrictions announced by the United States, announced retaliatory actions by China, and potential retaliation by other countries raise concerns threaten to damage global and domestic activity and sentiment. Similarly, changes in US tax policies are expected to exacerbate income polarization, which could affect the political climate for policy choices in the future. Climate change, geopolitical tensions, and cybersecurity breaches also continues to pose additional concerns to the subdued medium-term global outlook.³

At Asiatic, we believe that the growth of energy industry is a gradual process. The Group will maintain a methodical approach as it continues to explore and uncover the most suitable opportunities to pursue and thus unlock long-term value for its stakeholders.

⁽¹⁾ <https://www.apricum-group.com/how-renewables-will-drive-a-power-sector-shakeup-in-southeast-asia-and-why-utilities-should-care/>

^{(2) (3)} <https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>

BOARD OF DIRECTORS



TAY KAH CHYE, 71
Independent Chairman

was appointed as a Non-Executive Independent Director of the Company, and Chairman of the Board on 1 October 2013 and was last re-elected at the AGM held on 27 July 2017. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He is currently the Executive Chairman of CLMV Consult Net Private Limited, a regional consulting company headquartered in Singapore and the Chief Executive Officer of the PATA Group (comprising PATA Consultancy Pte Ltd and PATA International Enterprise Pte Ltd). He has served as the Honorary Secretary General of ASEAN Bankers Association, a regional banking industry group from 1991 to 2007 and as Honorary Advisor from 2008 to 2010. Prior to his retirement on 31 December 2007, Mr Tay was the President and Chief Executive Officer of ASEAN Finance Corporation Ltd, a regional merchant bank based in Singapore and owned by various leading banks and financial institutions in ASEAN since 1991. He is an independent director of Wilmar International Ltd and Chemical Industries (Far East) Ltd, companies listed on the Main Board of the SGX-ST. He is also an independent director of Asiatravel.com Holdings Ltd, a company listed on the Catalist of SGX-ST. He graduated with a Bachelor of Social Sciences (Economics) from the University of Singapore in 1970.



TAN BOON KHENG, 57
Managing Director

is the Group Managing Director. He joined the Group in 1983 upon his graduation from Singapore Polytechnic with a diploma in mechanical engineering and was appointed a Director on 25 October 2002. His primary responsibilities are strategic planning and business development. Mr Tan was instrumental in the Group's foray into the overseas markets and expansion into the power generation business. Mr Tan has been accredited as a Qualified Fire Safety Manager by the Singapore Joint Civil Defence Force since 1982. Tan Boon Kheng is the brother of Tan Boon Yew and Tan Boon Siang. He was last re-elected at the AGM held on 28 July 2016.



TAN BOON YEW, 59
Executive Director

joined the Group in 1981 and is responsible for the management and supervision of the marine-based fire fighting and protection business. He was appointed a Director on 25 October 2002. Tan Boon Yew is the brother of Tan Boon Kheng and Tan Boon Siang. He was last re-elected at the AGM held on 30 July 2015. Mr Tan Boon Yew will retire via rotation at the forthcoming AGM and will not be seeking re-election.



TAN BOON SIANG, 49
Executive Director

joined the Group in 1993 and is responsible for the management and supervision of the land-based fire fighting and protection business. He was appointed a Director on 25 October 2002. He has been accredited as a Qualified Fire Safety Manager by the Singapore Joint Civil Defence Force since 1994. Tan Boon Siang is the brother of Tan Boon Kheng and Tan Boon Yew. He was last re-elected at the AGM held on 27 July 2017.



SEAH HAI YANG, 56
Independent Director

was appointed as a Non-Executive Independent Director of the Company on 25 September 2007 and was last re-elected at the AGM held on 30 July 2015. Mr Seah is the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. He is a Director and founder of a consultancy company which provides accounting consultancy and corporate secretarial support services. Prior to establishing his own company, he held senior appointments in accounting and finance with private and public companies in various industries. Mr Seah graduated from the National University of Singapore with an Accountancy degree and is a Fellow of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors and had acted as the Company Secretary for several public listed companies on the SGX-ST. Mr Seah is currently a director of a corporate advisory firm. Mr Seah will retire via rotation at the forthcoming AGM and will not be seeking re-election.



LEE FANG WEN, 57
Independent Director

was appointed Non-Executive Independent Director on 1st April 2016 and was last re-elected at the AGM held on 28 July 2016. He is the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee. Mr Lee has extensive experience in manufacturing, engineering, marketing, procurement and sourcing, having worked with Motorola Electronics, Compaq Asia and MFS Technology (S) Pte Ltd. He held several key management positions in MFS Technology (S) Pte Ltd during his 17 years there and was responsible for setting up MFS's Malaysia FPC factory in 1999 and its Shanghai Representative Office in 2002. He was appointed Executive Director of Creative Master Bermuda Limited from 2013 to 2014 to resolve the company's outstanding issues and obtain shareholders' approval for members' voluntary liquidation and distribution of final cash balance to all shareholders. He is currently a Non-Executive Independent Director of Tai Sin Electric Limited, a company listed on the Main Board of the SGX-ST. Mr Lee graduated with a Chemical Engineering degree from the National University of Singapore. He is a member of the Singapore Institute of Directors.

KEY MANAGEMENT

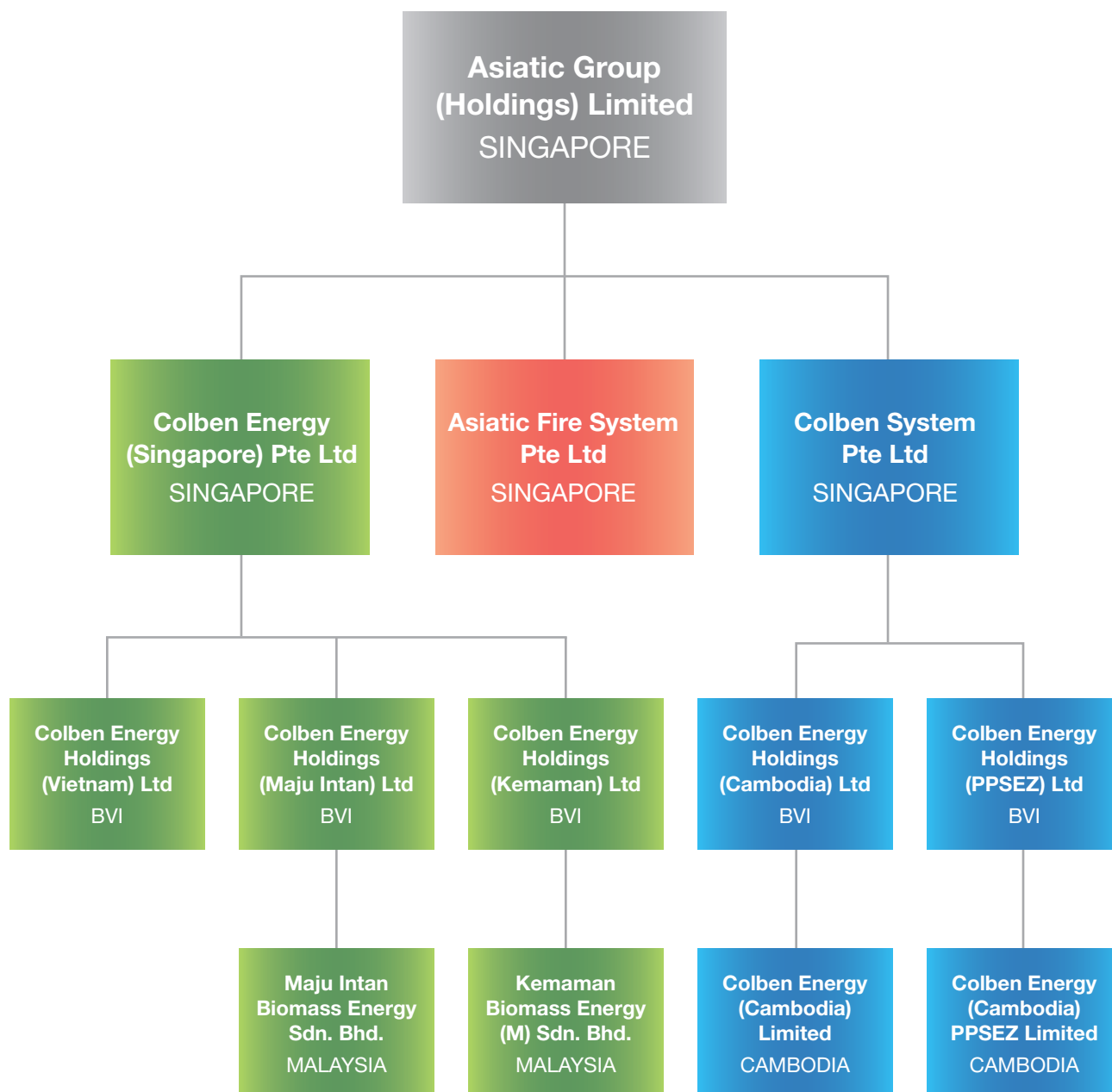
TAN AH KAN @ TAN KOW LA PBM is the founder of the Group. He is also the Group's former Chairman. He retired as a Non-Executive Director of the Company on 1 October 2013. Upon his retirement, Mr Tan continues to helm Asiatic System Pte Ltd as a director. He was instrumental in building up the fire fighting and protection business over the past 30 years and has extensive experience and knowledge in the fire fighting and protection industry. He was awarded a PBM (Public Service Medal) in 2001 by the President of Singapore for his efforts and contributions to the community. Tan Ah Kan @ Tan Kow La is the father of Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang.

NG MENG CHENG is Director of Colben System Pte Ltd and Chief Operating Officer of Colben's operations in Cambodia. He is specialized in operating and handling heavy equipment, and has vast experience in offshore oil exploration logistic operation and all types of offshore anchor handling tug boat and holding a third marine officer rank. Since 1990, he entered into the Kingdom of Cambodia for various ventures and held senior positions in companies as Director/COO to Chairman.

TAN SIAN LEONG is our Financial Controller and is responsible for the strategic planning, corporate structuring, financial planning, treasury functions, statutory reporting and accounting of our Group. Prior to joining our Group in 2003, Mr Tan was an auditor in Ernst & Young and BDO International. Mr Tan graduated from Association of Chartered Certified Accountants with a professional certificate. He is a member of the Institute of Singapore Chartered Accountants and member of the Association of Chartered Certified Accountants.

LEE YOKE CHUN is our Administration and Human Resources Manager. Prior to joining our Group in 1987, Mdm Lee has worked in the administration and accounts departments of various companies in different industries, such as distribution, manufacturing and construction. Mdm lee holds a diploma in business administration from the PSB. Mdm lee is the spouse of our Managing Director, Tan Boon Kheng.

CORPORATE STRUCTURE



CORPORATE INFORMATION

DIRECTORS

Tay Kah Chye
(Independent Chairman)

Tan Boon Kheng
(Managing Director)

Tan Boon Yew
(Executive Director)

Tan Boon Siang
(Executive Director)

Seah Hai Yang
(Independent Director)

Lee Fang Wen
(Independent Director)

COMPANY SECRETARIES

Leong Chee Meng Kenneth
Tan Sian Leong

REGISTERED OFFICE

65 Joo Koon Circle Singapore 629078
Tel: (65) 6863 0188
Fax: (65) 6897 9220

COMPANY REGISTRATION NO.

200209290R

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner-in-charge: Tan Po Hsiong Jonathan
(with effect from financial year 2017)

AUDIT COMMITTEE

Seah Hai Yang (Chairman)
Tay Kah Chye
Lee Fang Wen

REMUNERATION COMMITTEE

Tay Kah Chye (Chairman)
Seah Hai Yang
Lee Fang Wen

NOMINATING COMMITTEE

Lee Fang Wen (Chairman)
Seah Hai Yang
Tay Kah Chye

SHARE REGISTRAR

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

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and transparency within the Company, and together with its subsidiaries (the “Group”), to preserve and enhance the interests of all shareholders and investors. The Company has adopted corporate governance practices and guidelines with references to the Code of Corporate Governance 2012 (the “Code”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 for the financial year ended 31 March 2018 (“FY2018”).

Pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist issued by the SGX-ST (the “Catalist Rules”), this report describes the Company’s corporate governance processes and activities for FY2018. Proper explanation has been given where there is a deviation from the recommended guideline(s).

(A) BOARD MATTERS

Board of Directors

The board of directors (the “Board”) is responsible for setting the strategic direction for the Company. Every Director is expected to act in good faith and always in the best interest of the Company and the Board is entrusted with the responsibility for the overall management of the Company.

The Board’s primary responsibilities include the review and approval of policy guidelines, setting directions to ensure that the strategies undertaken seek to enhance shareholders’ value. The Board meets regularly on a half-yearly basis and as and when warranted by the circumstances, both formally and informally. Meetings by the Board may also be conducted via telecommunication means. The following matters require the Board’s approval:

- Budgets, half-year and full year results announcements, annual reports and audited financial statements;
- Corporate strategic direction, strategies and action plans;
- Issuance of policies and key business initiatives;
- Acquisition/disposal and other material transactions;
- Declaration of interim dividends and proposal of final dividends; and
- Convening of shareholders’ meetings.

To assist the members of the Board, the Company has arranged for the Board to be updated by the Company Secretary and its other professional consultants on the continuing obligations and requirements of a public listed company. Further, Directors are encouraged to attend seminars and courses to complement their core expertise and to keep abreast of the ongoing regulatory changes and compliance. When a Director is first appointed to the Board, an orientation program is arranged for him to be familiar with the Group’s business and governance practices. Upon appointment, a formal letter shall be issued setting out the duties, responsibilities and obligations of a Director.

Courses, conferences and seminars attended by some of the Directors in FY2018 include:

Course Name	Held By
Critical issues in preparing for transition from FRS to IFRS	Institute of Singapore Chartered Accountants and the SGX-ST
● Executive & Director Remuneration ● Sustainability Reporting ● Singapore Board of Directors Survey ● ACRA - SGX - SID Audit Committee Seminar 2018 ● Directors’ Conference 2017	SID
Director’s Compliance Course	Accounting and Corporate Regulatory Authority

CORPORATE GOVERNANCE REPORT

Our Board has established and delegated certain responsibilities to the Nominating Committee (“NC”), Remuneration Committee (“RC”) and Audit Committee (“AC”) (collectively, the “Committees”). The Committees are each chaired by an Independent Director and all members are independent and non-executive.

Directors’ Attendance at Board and Committee Meetings

	Board	AC	NC	RC
Total held in FY2018:	2	2	1	1
Tay Kah Chye (Independent and non-executive Chairman)	2	2	1	1
Tan Boon Kheng (Managing Director)	2	2 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Tan Boon Yew (Executive Director)	2	2 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Tan Boon Siang (Executive Director)	1	1 ⁽¹⁾	0	0
Seah Hai Yang (Independent and non-executive Director)	2	2	1	1
Lee Fang Wen (Independent and non-executive Director)	2	2	1	1

Note:

1. Attendance by invitation

Every Director has separate and independent access to the management of the Company (the “Management”), the Company Secretary and the external auditors at all times. The Company currently does not have a formal procedure to seek independent and professional advice for the furtherance of the Board’s duties. However, the Directors may, on a case-to-case basis, propose to the Board for such independent and professional advice to be sought, the cost of which will be borne by the Company.

Board Composition and Guidance

The Board currently comprises six (6) Directors, namely, three (3) executive directors and three (3) independent and non-executive directors, whose collective experience and contributions are valuable to the Company.

Non-executive directors are encouraged to constructively challenge and help to develop strategies, and to review and monitor the performance of Management, agreed goals and objectives. The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

The Board is aware of the need for renewal to ensure that the composition of the Board remains relevant and nimble to meet the changing challenges in the industry and countries which the Group operates in. Such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis or when circumstances warrant, to ensure that the Board dynamics remain optimal.

After reviewing its size and composition, the Board is of the view that the current arrangement is adequate. There is a strong and independent element on the Board given that the Independent Directors form half of the Board and the Chairman of the Board is independent. Accordingly, the composition of the Board is in compliance with the Code.

The Board’s policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board comprises Directors who have expertise across areas such as banking, finance and accounting, business and industry-specific experience, management and strategic planning.

CORPORATE GOVERNANCE REPORT

The profile of our Directors can be found on pages 12 to 13 of this Annual Report. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

Balance and Diversity of the Board

	Number of Directors	Proportion of Board
Core Competencies		
– Accounting or finance	2	33%
– Business management	6	100%
– Legal or corporate governance	3	50%
– Relevant industry knowledge or experience	3	50%
– Strategic planning experience	6	100%
– Customer based experience or knowledge	6	100%

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

Chairman and Chief Executive Officer

The Company is cognizant of the principle that there should be a clear division of responsibility between the Chairman and the Chief Executive Officer (in our case, the Managing Director (the “MD”)). Mr Tan Boon Kheng is the MD while Mr Tay Kah Chye, an Independent Director, is the Chairman of the Board.

The roles of the Chairman and the MD are separate to ensure a clear division of their responsibilities and increased accountability, in accordance with the recommendations of the Code. The Chairman is not related to the MD.

The Chairman is responsible for, inter alia, exercising control over the quality, quantity and timeliness of flow of information between the Management and the Board, and assisting in ensuring compliance with our Company’s guidelines on corporate governance, while our MD is responsible for planning, business development and generally charting the strategic growth of the Group.

The Independent Directors have met periodically in the absence of Management in FY2018 as and when required.

Board Membership

Nominating Committee

The NC comprises the following members, all whom are independent and non-executive directors:

- Lee Fang Wen (Chairman)
- Seah Hai Yang (Member)
- Tay Kah Chye (Member)

CORPORATE GOVERNANCE REPORT

The NC is guided by key terms of reference as follows:

- Identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board based on his contribution and performance;
- Determines annually whether a Director is independent in accordance with the guidelines of the Code;
- Assesses the effectiveness of each Director as to whether he is able to and has adequately carried out his duties as a Director, in particular, where a Director has directorships in other companies;
- Reviews the structure, size and composition of the Board and make recommendations to the Board;
- Ensures that all new members of the Board undergo an appropriate orientation programme; and
- Decides how the Board's performance may be evaluated and proposes objective performance criteria and thereafter submits for the Board's approval.

The NC has examined the current size and composition of the Board and is satisfied that the Board meets the Company's existing needs and the nature of operations. The NC will review the appropriateness of the Board size, taking into consideration the changes in the nature and scope of the Group's operations as well as the applicable prevailing regulatory requirements. Where a vacancy occurs and as and when the need arises, the Management and the Board will procure suitable candidates for the NC's review and consideration. If need be, the NC may also engage external search consultants to search for candidates at the Company's expense. The NC will, amongst others, review the candidate's credentials, and assess the candidate's competency, suitability and ability to devote sufficient time for the Company. The NC will thereafter provide its recommendations to the Board for approval.

For the re-election of incumbent directors, the NC would assess the performance of the director in accordance with the performance criteria set by the Board and also considers the current needs of the Board. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.

The NC has reviewed and is of the opinion that holding multiple listed company board representations by some Directors have not impeded their performance and abilities in carrying out their duties to the Company. For FY2018, the Board did not set any cap on the number of listed company board representations a Director may hold given that all the Independent and non-executive Directors do not have extensive multiple directorships and have been able to dedicate their time and attention to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future.

Directors must also immediately report any new appointments or changes in their external appointments, including any corporate developments relating to their existing external appointments, which may affect their independence. This ensures that Directors continually meet the stringent requirements of independence under the Code.

The Independent Directors had in FY2018 confirmed their independence in accordance with the Code. The NC had also assessed the independence of each Independent Director and confirm that Mr Tay Kah Chye, Mr Seah Hai Yang, and Mr Lee Fang Wen to be independent.

The Company does not have any alternate directors.

The Constitution of the Company (the "Constitution") provides that at least one-third of the Board is required to retire via rotation at each annual general meeting ("AGM") and that each Director shall retire from office at least once every three (3) years. A retiring Director is eligible for re-appointment subject to his consent. The NC has noted that the following Directors will retire via rotation at the forthcoming AGM pursuant to Regulation 103 of the Constitution:

Name of Director	Designation	Date of Last Re-election	Date of appointment
Tan Boon Yew	Executive Director	30 July 2015	25 October 2002
Seah Hai Yang	Independent and Non-Executive Director	30 July 2015	25 September 2007

CORPORATE GOVERNANCE REPORT

As part of the Board's renewal process, Mr Tan Boon Yew has indicated that he wishes to step down as an Executive Director of the Company at the forthcoming AGM and will not be seeking re-election.

The Board would like to express its appreciation to Mr Tan Boon Yew for his valuable contributions to the Company and its Board. Mr Tan will remain with the Group as a director of its subsidiary, Asiatic Fire System Pte Ltd.

In accordance with the recommendations of Guideline 2.4 of the Code, Mr Seah Hai Yang who was first appointed on 25 September 2007 and has served on the Board for more than nine (9) years, has been subject to a rigorous review of his independence. Accordingly, the NC in consultation with the Board, had reviewed rigorously and is of the view that Mr Seah remains independent in character and judgment. In arriving at its conclusion, the NC and the Board took into consideration his participation in and recommendations to the Board and its Committees during meetings and discussions. The Board noted that Mr Seah had provided impartial advice and insights, and exercised independence and objectivity at all times. The Board is also of the opinion that Mr Seah continues to exercise independence and is effective in his oversight role as a check and balance on the acts of the Executive Directors and Management. Mr Seah has abstained from the Board's and NC's review on this matter.

At the forthcoming AGM, Mr Seah Hai Yang, an Independent and non-executive Director who was first appointed in 2007, will retire by rotation in accordance with the Constitution. In line with the Board's renewal process, Mr Seah has expressed his views that having served for more than 9 years, he will take the opportunity to retire at the forthcoming AGM and will not be seeking re-election. Co-terminus with his forthcoming retirement, Mr Seah's appointments on all the board committees shall also cease. The NC noted strong element of independence shown during his tenure, his area of expertise and that his knowledge and experience complemented the Group's business. Mr Seah has always provided valuable contribution in deliberation on the Group's policies and business operations and the Company records its appreciation for his contributions during his tenure as a director.

Board Performance

The NC has adopted a formal process to assess the performance and contributions of the Directors and the effectiveness of the Board as a whole and its Committees. The NC sets objective performance criteria for the assessment which allow comparison with industry peers. The assessment criteria focus on the effectiveness and efficiency on the Board's access to information, evaluation of the size and composition of the Board, the Board's processes, procedures and compliance, accountability, the Board's performance in connection to discharging its responsibilities and duties, and Directors' standards of conduct including his interactive skills, participation level at the Board and Committees' meetings, insight knowledge and preparedness as well as availability to attend meetings. In addition, the qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board.

The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2018 as compared to the previous financial year as the economic climate, Board composition and the Group's principal business activities remained the same as the financial year ended 31 March 2017 ("FY2017").

The review process involves:

1. All Directors individually and collectively as a whole completing a board evaluation questionnaire on the effectiveness of the Board and the individual Directors based on the aforementioned performance criteria;
2. The Company Secretary will collate and present the questionnaire results to the NC Chairman in the form of a report; and
3. The NC will deliberate the report and opine the performance results during the NC meeting.

CORPORATE GOVERNANCE REPORT

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his individual performance.

Following the completion of the assessment for FY2018, the NC is of the opinion that the Board, its Committees and each Director had been effective and met their performance objectives during FY2018. No external facilitator was engaged in the current evaluation process.

Access To Information

The Board is kept abreast on the Group's operations and key performance through updates and reports, as well as through informal discussions given by Management (including the Managing Director and the Executive Directors). Prior to any meetings of the Board or Committees, every Director, if applicable, are given sufficient board papers to prepare them for the meetings. In addition, Board members have separate and independent access to the Management on queries or when they require additional information on the affairs of the Company and the Group.

The Management would provide the explanatory documents on matters to be brought before the Board and its Committees. Copies of disclosure documents, budgets, forecasts, unaudited financial statements together with explanations for any significant or material variance between the budget and actual results are tabled by the Management for review during the meetings.

Each Director also has access to the Company Secretary who attends the Board's and the Committees' meetings. The Company Secretary also assists the Chairman of Committees and the Board in the conduct of meetings and ensures that procedures and corporate governance practices are adhered to. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, such service will be available at the Company's expense.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Remuneration Committee

The composition of the RC is as follows. All members of the RC are independent and non-executive directors:

- Tay Kah Chye (Chairman)
- Seah Hai Yang (Member)
- Lee Fang Wen (Member)

The RC is guided by key terms of reference as follows:

- Reviews and recommends to the Board, a framework of remuneration for the Board and key management personnel;
- Recommends to the Board, the executives' and employees' share option schemes or any long term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith;
- Reviews the level of remuneration that is appropriate to attract, retain and motivate the Directors and key management personnel; and
- Reviews and recommends to the Board the terms of renewal of Directors' service contracts.

CORPORATE GOVERNANCE REPORT

The RC also administers the following share plans of the Company, namely:

1. Asiatic Share Option Scheme 2008 which was approved and adopted at the extraordinary general meeting (“EGM”) held on 25 July 2008; and
2. Asiatic Performance Share Plan which was approved and adopted at the EGM held on 15 August 2013.

In determining remuneration packages of executive directors and key management personnel, the RC will ensure that (i) they are adequately but not excessively rewarded; and (ii) the level and mix of remuneration should be appropriate to attract, retain and motivate Directors and key management personnel to run the Company successfully and create long-term sustainable value for its stakeholders. The RC will also consider, in consultation with the Board, amongst other things, their responsibilities, skills, expertise and contribution to the Group’s performance and whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain executive talent.

The Company is of the view that the annual review of the remuneration of the Directors and key management personnel by the RC, which includes giving due regard to prevailing market conditions as well as the financial, commercial health and business needs of the Group is currently sufficient to ensure the continued relevance of such remuneration packages to the Group’s long term strategic business objectives and alignment with market practices.

The RC’s review of the remuneration packages as stipulated in the service agreements and/or employment contracts takes into consideration the long-term interests and direction of the Group, the performance of the Group and the overall assessment of the Board (where applicable) and individual contribution of the Directors and key management personnel. The RC will ensure that the Independent Directors are not over-compensated to the extent that their independence may be compromised.

In discharging their duties, the RC may seek professional advice where necessary. No external consultants were engaged by the Company in FY2018. For FY2019, RC will seek external remuneration consultants to review the remuneration packages of directors and key management personnel.

Proposed salary increments, or bonus pay-outs, if any, are reviewed by the RC and recommended to the Board accordingly for approval based on factors such as the actual financial performance of the Group, vis-à-vis the contribution by the respective Executive Directors or key management personnel.

All recommendations of the RC will be submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration and Directors’ fees are recommended by the Board for approval by the shareholders at the AGM.

Level and Mix Of Remuneration

For FY2018, the RC had reviewed the remuneration packages for the Directors, key management personnel and the employees who are related to the Directors. The remuneration of the Executive Directors, Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang, are covered by service agreements which are subject to yearly renewal. In view of the challenging business environment, the RC noted that the Executive Directors and key management personnel has volunteered certain salary reductions for the financial year ending 31 March 2019. Save for the salary reduction, the remaining terms and conditions of the service agreement remains the same as FY2018.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, “claw-back” provisions in the service agreements may not be relevant or appropriate. Nevertheless, RC will review the inclusion of “claw-back” provision in future service agreements.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

The total remuneration and breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2018 is set out below:

Name of Director	Total Remuneration (S\$)	Base/Fixed Salary	Directors' Fee	Bonus	Other Benefits	Total
Tan Boon Kheng ⁽¹⁾⁽³⁾	384,000	93%	–	7% ⁽⁴⁾	–	100%
Tan Boon Yew ⁽¹⁾	274,000	93%	–	7% ⁽⁴⁾	–	100%
Tan Boon Siang ⁽¹⁾	277,000	93%	–	7% ⁽⁴⁾	–	100%
Tay Kah Chye	30,000	–	100%	–	–	100%
Lee Fang Wen	25,000	–	100%	–	–	100%
Seah Hai Yang	30,000	–	100%	–	–	100%

The breakdown (in percentage terms) of the remuneration of the top 5 key management personnel of the Group for FY2018 is set out below:

Name of Key Management Personnel	Designation, Name of Entity	Base/Fixed Salary (%)	Bonus (%)	Total (%)
Below S\$250,000				
Tan Ah Kan @ Tan Kow La ⁽¹⁾⁽²⁾	Director, Asiatic Fire System Pte. Ltd.	89	11	100
Tan Ah Soi ⁽²⁾	Factory Manager, Asiatic Fire System Pte. Ltd.	89	11	100
Lee Yoke Chun ⁽³⁾	Group Admin & HR Manager	89	11	100
Tan Sian Leong	Group Financial Controller	90	10	100
Ng Meng Cheng	Director, Colben System Pte Ltd	100	–	100

Notes:

1. Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang are the sons of Tan Ah Kan @ Tan Kow La.
2. Tan Ah Soi is the brother of Tan Ah Kan @ Tan Kow La.
3. Lee Yoke Chun is the spouse of Tan Boon Kheng.
4. Bonus refers to annual wage supplement of 1 month salary.

The aggregate remuneration paid to the above key management personnel was approximately S\$803,000 in FY2018.

No termination, retirement and post-employment benefits were granted to the Directors or key management personnel for FY2018.

The remuneration received by the Managing Director, the Executive Directors and key management personnel takes into consideration his/her individual performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary. The variable compensation is determined based on the level of achievement of corporate objectives (such as financial performance) and individual performance objectives (such as project management, strategic and operational effectiveness).

The RC has reviewed and is satisfied that for FY2018, the remuneration received by the Managing Director, the Executive Directors and key management personnel are commensurate with their efforts and achievements. The RC has also reviewed and is satisfied that the overall performance conditions were met for FY2018.

CORPORATE GOVERNANCE REPORT

Remuneration of other employees related to a Director

Save as disclosed above, Tan Chee Meng and Tan Tze Wee are cousins to Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang, the Managing Director and Executive Directors of the Company. The aggregate remuneration (including CPF contributions thereon and benefits) of these employees amounted to approximately S\$125,000 for FY2018.

Name	Total Remuneration for FY2018 S\$50,000 to S\$100,000
Tan Chee Meng	√
Tan Tze Wee	√

Save as disclosed, there are no family relationships between any of our Directors, key management personnel and other employees.

The Asiatic Share Option Scheme 2008

The Asiatic Share Option Scheme 2008 (the “Scheme”) was approved and adopted by the members of the Company at the EGM held on 25 July 2008. The Scheme is administered by a committee comprising the members of the RC (the “Scheme Committee”). Under the Scheme, selected employees and directors of the Group are eligible to participate at the discretion of the Scheme Committee. Controlling shareholders and their associates (as defined in the Catalyst Rules) are not eligible to participate in the Scheme.

The Scheme shall continue in force for a maximum period of 10 years commencing from 25 July 2008, provided always that the Scheme may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. Other salient information regarding the Scheme is as follows:

- (a) The aggregate number of shares over which options may be granted, when added to the number of shares issued and issuable in respect of all options granted under the Scheme shall not exceed 15% of the issued shares of the Company on the day preceding the grant of the option.
- (b) The Scheme has two categories of options, being the Market Price Option and the Incentive Option:
 - (i) Under the Market Price Option, the exercise price is the average of the last dealt prices for a share as determined by reference to the daily official list published by the SGX-ST for the five (5) consecutive market days immediately preceding the date of grant, rounded up to the nearest whole cent (the “Market Price”); or
 - (ii) Under the Incentive Option, the Committee has the discretion to issue option with an exercise price set a discount not exceeding 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted by the SGX-ST).
- (c) The eligible grantee must accept the offer of the option within a period of not less than 15 days and not more than 30 days from the date of such offer else the offer will lapse. Upon the acceptance of the offer, the grantee shall pay to the Company the sum of S\$1.00.
- (d) A Market Price Option may be exercised during the period commencing after the 12 months period from the date of grant and expiring on the tenth anniversary of such date of grant. An Incentive Option can be exercised during the period commencing after the 24 months period from the date of grant and expiring on the tenth anniversary of such date of grant. Option granted to the non-executive Directors will expire on the fifth anniversary of such date of grant.

Since the commencement of the Scheme and for FY2018, no options have been granted yet.

The Scheme which was adopted by the Company on 25 July 2008 will expire on 25 July 2018. The Board has decided that following the Scheme’s expiry, the remaining Share Plan (as defined herein) will be sufficient to reward, retain and motivate employees to achieve increased performance at this juncture.

CORPORATE GOVERNANCE REPORT

The Asiatic Performance Share Plan

The Company has adopted a performance share plan known as Asiatic Performance Share Plan (the “Share Plan”) which was approved by the shareholders of the Company at the EGM held on 15 August 2013. The Share Plan is administered by the RC and no share award has been granted since its adoption and for FY2018.

The Share Plan is designed to complement the existing Scheme and to increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve increased performance. The Directors believe that the Share Plan will provide the Company with a more comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining local and foreign talent.

Unlike the Scheme whereby participants are required to pay the exercise price of the options when exercising such options into shares, the Share Plan allows the Company to provide an incentive for participants to achieve certain specific performance targets by awarding fully paid shares to participants after these targets have been met.

In addition, the assessment criteria for granting option(s) under the Scheme are more general (e.g. based on length of service and general performance of the Group) and do not relate to specific performance targets imposed by the Company. In contrast, the assessment criteria for granting of awards under the Share Plan will be based on specific performance targets or to impose time-based service conditions, or a combination of both.

The Share Plan allows for participation by the Group’s employees (including the Managing Director and Executive Directors, namely, Tan Boon Kheng, Tan Boon Yew and Tan Boon Siang) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or before the relevant date of grant of the award provided that none shall be an undischarged bankrupt at the relevant time, and who, in the absolute discretion of the RC, will be eligible to participate in the Share Plan.

Subject to the absolute discretion of the RC, the controlling shareholders of the Company and their associates who meet the criteria as set out above are eligible to participate in the Share Plan, provided that (a) the participation of, and (b) the terms of each grant and the actual number of shares comprised in the share awards granted under the Share Plan to, a participant who is a controlling shareholder of the Company or his associate shall be approved by independent shareholders in a general meeting in separate resolutions for each such person.

Subject to the absolute discretion of the RC and prior to any grant of an award to any controlling shareholder of the Company or his associate, the Company will seek approval from its independent shareholders for the participation of such person in the Share Plan and/or the grant of an award to such person. Further details of the Share Plan are disclosed on page 33 of the Annual Report under the Directors’ Statement.

(C) ACCOUNTABILITY AND AUDIT

Accountability

The Board is aware and responsible to provide balanced and easy to understand assessment of the Group’s performance, position and prospects, including interim and other price sensitive public information, reports to regulators (if required) and its sponsor. Management provides Directors with sufficient relevant information on the Group’s financial performance and insight into the industries’ operating conditions where the Group operates in on a timely basis. The Company also adopts an open door policy to encourage Independent Directors to seek explanation or have informal discussion on any aspect of the Group’s operations or business from Management.

Risk Management and Internal Controls

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance and has outsourced its internal audit function. Nexia TS Risk Advisory Pte Ltd (“Nexia”) was the internal auditor for the Group for FY2018.

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The Board and the AC noted that there were some areas requiring improvement as identified by Nexia during the course of their internal audit in FY2018 on areas related to enhancing vendor management. The Board and the AC accepts Management's recommendations to perform vendor evaluation for new vendors as well as periodic vendor evaluation of existing vendors to ensure the quality and performance of the vendors are met. The Management will provide regular updates to the AC with respect to the implementation progress.

In assessing the design and operating effectiveness of internal controls, the Board notes that the system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

As the Company is undergoing a business strategic review, the Company will also review, identify and update areas of where risk is significant under its business and operational activities, if any, and will devise measures to respond appropriately to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board. The Group's financial risk management objectives and policies are further discussed under note 33 to the financial statements.

The system of internal controls maintained by the Group includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational, information technology and compliance risks. However, the Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

As part of the annual statutory audit, the Group's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Group's material internal controls, including financial, operational, compliance, information technology controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken on the recommendations made by the external auditors, if any. For FY2018, the AC had received assurance from the Managing Director and Group Financial Controller:

- (i) 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
- (ii) the Company's risks management and internal control systems were effective.

Based on the internal controls established and maintained by the Group and work performed on key internal controls by the external auditors and internal auditors, reviews performed by the Management and the various Board Committees, the Board with the concurrence of the AC, are of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2018.

Audit Committee

All members of the AC are independent and non-executive directors and its composition is as follows:

- Seah Hai Yang (Chairman)
- Tay Kah Chye (Member)
- Lee Fang Wen (Member)

All members of the AC do not have any management and significant or material business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The AC is guided by key terms of reference as follows:

- reviews the financial and operating results and accounting policies of the Group;

CORPORATE GOVERNANCE REPORT

- reviews with the external auditors the audit plan and their evaluation of the system of internal accounting controls and monitor Management's response and actions to correct any noted deficiencies;
- reviews the internal audit plan and findings of the IA;
- evaluates the effectiveness of both the internal and external audit efforts through regular meetings;
- determines that no unwarranted Management restrictions are being placed upon either the internal or external auditors;
- reviews the financial statements with Management and external auditors for submission to the Board;
- reviews interested person transactions;
- reviews the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the AC shall keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- recommends to the Board the appointment, or re-appointment and removal of the external auditors;
- reviews the interim and annual announcements of financial results of the Group before submission to the Board for approval;
- meets with the external auditors without the presence of the Management at least once annually;
- reviews the independence of the external auditors annually; and
- generally undertakes such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC meets at least two times a year and as frequently as required. In particular, the AC meets to review the financial statements before they are announced on SGXNET. In the financial year under review, the AC has met to review and approve the audit plan as well as the half-year and full-year unaudited results for announcement purposes. The AC has also met with the external auditors in the absence of Management in FY2018.

To enable the AC to discharge its function properly, it has full access to and co-operation from Management and has full discretion to invite any director or executive officer to attend its meetings.

The AC may also examine any other aspects of the Company's affairs, as it deems necessary, where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations. The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if deemed necessary to discharge its responsibilities properly. Such expenses would be borne by the Company.

The AC may also review arrangements (in accordance with the Group's whistle-blowing policy) by which stage of the Company and external parties such as vendors and customers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC ensures that arrangements are in place for the independent investigation of such matters and that appropriate follow up actions are carried out. There were no complaints received under the whistle-blowing policy in FY2018.

Pursuant to Rule 715 of the Catalist Rules, the AC noted that the Company and its Singapore incorporated subsidiaries were audited by Messrs Ernst & Young LLP based in Singapore. The statutory auditors for the Company's subsidiaries in Cambodia were Messrs BDO (Cambodia) Limited based in Cambodia. For the purposes of the Group's audit and consolidation, Messrs Ernst & Young LLP, Singapore, had also performed a full audit of the accounts of the Cambodian subsidiaries. Further information on the auditor's appointment can be found in Notes 10 and 11 to the financial statements.

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The Board and the AC had reviewed the audit arrangements with Messrs Ernst & Young LLP, Singapore, and noted that the current arrangement had not compromised the standard and effectiveness of the audit for the Group and that the auditors had no objection on the current arrangement. The Company has complied with Rules 712 and 715 of the Catalist Rules.

Non-audit services provided by the external auditors (if any) are reviewed by the AC to ensure that the provision of such services would not compromise the independence of the external auditors.

The aggregate amount of audit fees paid/payable to Messrs Ernst & Young in FY2018 amounted to S\$100,000. There were no non-audit services provided by Messrs Ernst & Young LLP and Messrs BDO (Cambodia) Limited in FY2018. The AC has reviewed the independence and objectivity of the external auditors in FY2018 and is satisfied that the external auditors remain independent and objective. The AC has also recommended the re-appointment of Messrs Ernst & Young LLP as the external auditors for the ensuing financial year.

In FY2018, the Board had periodically assessed and reviewed, together with the assistance of the NC, that the members of the AC are appropriately qualified to discharge their responsibilities. The Board is of the view that adequate and reasonable assistance and support was properly rendered by the Directors and Management to enable the AC to carry out its role effectively and efficiently. The AC comprises members who have expertise and experience in financial management and are qualified to discharge the AC's responsibilities. Two members, the chairman of the AC and the chairman of the Board (who is a member of the AC) have the relevant accounting and finance experience and fulfil the requirements for the composition of the AC. Members of the AC were also provided with information such as updates on consultation papers issued by the SGX-ST as well as the changes to the Singapore's Financial Reporting Standards.

Internal Audit

The AC will review the adequacy and effectiveness of the internal auditor ("IA") annually. The IA's primary line of reporting is to the Chairman of the AC. However, they also have an administrative reporting function to Management where planning, coordinating, managing and implementing internal audit work cycle are concerned. The IA reports are also given to the external auditors to ensure effective use of resources and to avoid duplication of efforts.

The AC is satisfied that IA is adequately qualified and resourced (as it is a member of the Singapore Institute of Internal Auditors) and adheres to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors) and has the appropriate standing in the Company to discharge its duties effectively.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Policy on dissemination of public information

The Company believes that a high standard of disclosure is crucial to raising the level of corporate governance. All information relating to the Group's new initiatives are first disseminated via SGXNET followed by a news release (if appropriate), which is also available on SGXNET. The Company ensures that it does not practice selective disclosure of material information. Price sensitive information is publicly released and results of the Group's financial performance are announced and/or issued within the mandatory periods.

As the Company does not have a dedicated investor relations team, efforts by the Company in its engagement with investors (both present and prospective) is undertaken by the Managing Director and supported by the Group Financial Controller. Such investor relations engagement efforts may include meetings with investors or visits to the Group's plants or other places of operations.

The Notice of the AGM is advertised in the local press. All shareholders of the Company will receive a copy of the Annual Report and the Notice of AGM. A shareholder who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50, of Singapore (the "Companies Act")) may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder of the Company. With effect from 3 January 2016, the Companies Act provides that a relevant intermediary (as defined in Section 181 of the Companies Act) (such as a corporation, person or the Central Provident Fund Board that provide nominee or custodial services) may appoint more than two proxies in relation to a meeting to exercise all or any of his rights to attend and to speak and vote at the meeting.

CORPORATE GOVERNANCE REPORT

At the AGM, shareholders are given opportunities to express their views and ask the Board and Management questions regarding the operations of the Group. The Chairmen of the AC, RC and NC will normally be present at the AGM to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the financial statements from the shareholders.

Shareholders are given opportunities to participate effectively and to vote at the AGM and general meetings. At the AGM or other general meetings, separate resolutions will be set out as distinct issues for approval by shareholders. All resolutions tabled at general meetings are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings will be made available to shareholders upon their request after the general meeting.

Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.asiatic.com.sg.

Investor relations policy

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. Should the need arise, the Company will consider the appointment of a professional investor relations officer to manage the function.

Dividend policy

The Company does not have a fixed dividend policy. Dividend decisions are subject to review of the Group's financial performance, projected future capital needs and working capital requirements.

Taking into consideration the Group's working capital requirements and funds which may be required for the Group to embark on any potential projects to be identified from time to time, no dividend has been proposed for declaration by the Board in respect of FY2018.

(E) DEALING IN SECURITIES

The Company has put in place an internal code on dealings with securities in accordance with Rule 1204(19) of the Catalist Rules, which has been issued to all Directors and employees, setting up the implications on insider trading. The internal code prohibits the dealing in securities of the Company by the listed issuer, its officers and employees whilst in possession of price-sensitive information, and during the period beginning one month before the announcement of the half yearly and full year results, and ending on the date of the announcement.

Directors are required to report securities dealings to the Company Secretary who will assist to make the required announcements. In addition, Directors and employees are reminded to observe insider trading laws at all times even when dealing in securities within permitted trading periods. The Company's officers are discouraged from dealing in the Company's shares on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are reviewed and approved by the AC, and are conducted at arm's length basis.

Transactions under review but not subject to disclosure pursuant to Rule 907 of the Catalist Rules:

- (a) The corporate secretarial support services rendered by Van Der Broeck's Consultancy Pte Ltd, a corporation associated with Mr Seah Hai Yang, a Director of the Company, amounted to S\$21,120/- in FY2018 (which the Board opined as immaterial and that the charges were per the mandate agreed prior to his appointment as a director). Mr Seah had abstained from deliberations and review on the aforesaid transaction. The corporate secretarial support services from Van Der Broeck's Consultancy Pte Ltd has ceased as at the end of FY2018.

CORPORATE GOVERNANCE REPORT

- (b) The bond interest due to Mr Lee Fang Wen amounting to S\$8,000 in FY2018. These payments are in accordance to the Guaranteed Bond Agreement⁽¹⁾ of which Mr Lee is a subscriber.
- (c) The bond interest due to Mr Lim Boon Hock Bernard and the Lim Associates⁽¹⁾ amounting to S\$92,000 in accordance to the Non-Guaranteed Bond Agreement⁽¹⁾ in FY2018.
- (d) The bond interest due to Mr Tan Ah Kan @ Tan Kow La amounting to S\$48,000 in accordance to the Non-Guaranteed Bond Agreement⁽¹⁾ in FY2018.

Note:

- 1. All capitalized terms used, unless otherwise defined herein, have the meaning ascribed to them in the Company's SGXNet announcements on 18 March 2014, 19 March 2014 and 16 March 2017.

(G) MATERIAL CONTRACTS

Save for the interested person transactions as described in paragraph (F) above, which includes the Guaranteed Bonds Extension Agreement⁽¹⁾ in which Mr Lee Fang Wen had entered into as a Guarantee Bonds Subscriber⁽¹⁾, there is no material contract entered into between the Company and its subsidiaries involving the interests of the Managing Director, any Director or controlling shareholder of the Company which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

(H) NON-SPONSOR FEES (RULE 1204(21))

In FY2018, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd., non-sponsor fees of S\$5,000.

(I) SUSTAINABILITY REPORT

The Group recognises that embracing sustainable practices is a business priority that is important for the development and success of our business. We will issue our first sustainability report this year and it will be uploaded to the SGX website by end of March 2019.

DIRECTORS' STATEMENT

The directors are pleased to present to the members together with the audited consolidated financial statements of Asiatic Group (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2018.

Opinion of the directors

In the opinion of the directors,

- (a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended on that date, 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 on the assumption that, as stated in Note 2.2 to the financial statements, the Group will receive continued financial support from banks and will be able to generate positive cash flows from operations for a period of 12 months from the date these financial statements were approved.

Directors

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

Tay Kah Chye
 Tan Boon Kheng
 Tan Boon Yew
 Tan Boon Siang
 Seah Hai Yang
 Lee Fang Wen

Arrangements to enable directors to acquire 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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>				
Tay Kah Chye	1,600,000	1,600,000	—	—
Tan Boon Kheng	106,656,004	106,656,004	—	—
Tan Boon Yew	60,336,000	60,336,000	—	—
Tan Boon Siang	62,872,000	62,872,000	—	—
Lee Fang Wen	—	—	184,000	184,000

DIRECTORS' STATEMENT

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2018.

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

Share options and performance shares

Asiatic Share Option Scheme

The Asiatic Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at the Extraordinary General Meeting held on 25 July 2008. The Scheme is administered by the members of the Remuneration Committee (the "Committee"). Under the Scheme, selected employees and directors of the Group are eligible to participate at the discretion of the Committee. Controlling Shareholders and their associates (as defined in the Listing Manual of the SGX-ST Section B: Rules of the Catalist of the SGX-ST (the "Catalist Rules")) shall not participate in the Scheme. The other information regarding the Scheme is disclosed in Note 27 to the financial statements.

Since the commencement of the Scheme and for FY2018, no options have been granted. There were no unissued shares of the Company under option as at the end of the financial year.

There were also no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

Asiatic Performance Share Plan

The Asiatic Performance Share Plan (the "Plan") was approved and adopted by the members of the Company at the Extraordinary General Meeting held on 15 August 2013. The Plan is administered by the members of the Remuneration Committee (the "Committee"). Under the Plan, all Group employees including Controlling Shareholders and their associates are eligible to participate at the discretion of the Committee. The other information regarding the Plan is disclosed in Note 27 to the financial statements.

No share has been awarded to any directors or participants who are controlling shareholders and their associates under the Plan since adoption and for FY2018.

No shares has been awarded to any directors or participants who are controlling shareholders and their associates, which, in aggregate, represent five per centum (5%) or more of the aggregate number of new shares available under the Plan and as such, no vesting of shares has taken place.

Audit Committee ("AC")

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

- reviewed the financial and operating results and accounting policies of the Group;
- reviewed with the external auditors the audit plan and their evaluation of the system of internal accounting controls and monitor Management's response and actions to correct any noted deficiencies;
- reviewed the internal audit plan and findings of the internal auditors;
- evaluated the effectiveness of both the internal and external audit efforts through regular meetings;
- determined that no unwarranted management restrictions are being placed upon either the internal or external auditors;

DIRECTORS' STATEMENT

Audit Committee ("AC") (cont'd)

- reviewed the financial statements with Management and external auditors for submission to the Board;
- reviewed Interested Person Transactions;
- reviewed the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the AC shall keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- recommended to the Board the appointment, or re-appointment and removal of the external auditors;
- reviewed the interim and annual announcements of financial results of the Group before submission to the Board for approval;
- met with the external auditors without the presence of the Company's Management, at least annually; and
- reviewed the independence of the external auditors annually

The AC, having reviewed and noted that there were no non-audit services provided by the external auditors to the Group, is satisfied that the independence of the external auditors is not affected. The AC has also conducted a review of interested person transactions.

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

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

Auditor

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

On behalf of the board of directors

Tay Kah Chye
Director

Singapore

9 July 2018

Tan Boon Kheng
Director

INDEPENDENT AUDITOR'S REPORT

To The Members of Asiatic Group (Holdings) Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) 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 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the financial statements. As at 31 March 2018, the Group's current liabilities exceeded its current assets by \$20.05 million. The Group has scheduled repayment terms with the banks for the next 12 months from the date where these financial statements were approved of which the Group may not have sufficient cash flows to fulfil those debt obligations. For the year ended 31 March 2018, the net cash outflow from operating activities amounted to \$1.09 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the continued financial support received from banks and the Group's ability to generate positive cash flows from operations. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

INDEPENDENT AUDITOR'S REPORT

To The Members of Asiatic Group (Holdings) Limited

Key Audit Matters (cont'd)

1. Assessment of allowance for doubtful debts

As at 31 March 2018, the carrying amount of the Group's trade receivables and related allowance for doubtful debts amounted to \$6.49 million and \$0.03 million respectively. This represents 6.5% of total assets on the consolidated financial statements. The determination of whether the trade debts are collectible requires significant judgement. In assessing whether there is objective evidence of whether the trade receivables are impaired, management considers historical loss experience, probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Accordingly, we have determined this to be a key audit matter.

As part of the audit, we assessed and evaluated the design and operating effectiveness of the Group's processes and controls relating to the monitoring of trade receivables and allowance for doubtful accounts. We performed audit procedures, amongst others, sending trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We reviewed management's assumptions used to calculate the allowance for doubtful debt to be established, notably through analysis of ageing of receivables, assessment of significant overdue individual trade receivables, reviewing historical payment patterns and correspondence with customers on expected settlement dates. We also assessed the adequacy of the Group's disclosures on the trade receivables in Note 15 to the financial statements.

2. Maju Intan Biomass Project

As at 31 March 2018, the Group's interest in the Maju Intan Biomass Project included cost of investment in associate, Maju Intan Biomass Energy Sdn Bhd ("MJE"), convertible bonds and amount due from MJE amounting to \$5.05 million, \$4.48 million and \$17.27 million respectively. As there were indicators of impairment during the financial year, management performed an assessment of the recoverable amount of the cost of investment in MJE, convertible bonds and amount due from MJE, using MJE's value-in-use ("VIU") calculation. Based on their assessment, no impairment charge is recognised as at 31 March 2018. The impairment assessment involved significant management judgement regarding the operational effectiveness of MJE's power plant and economic conditions, which in turn affect the forecasted electricity generation volume and revenue used in the impairment assessment. As such, we have determined this to be a key audit matter.

As part of the audit, we evaluated and assessed the assumptions and methodology used by management and whether the future cash flows were based on the budget approved by the Board of Directors. We assessed the reasonableness of the forecasted electricity generation volume against current and also historical growth in electricity generation volumes and reviewed management's analysis of the sensitivity of MJE's VIU to changes in the forecasted electricity generation volumes. We also engaged our internal valuation specialist to assist us in assessing the reasonableness of the discount rate used by management. We assessed the adequacy of the disclosures on the impairment assessment and the related disclosures included in Note 11.

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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Asiatic Group (Holdings) Limited

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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Asiatic Group (Holdings) Limited

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

9 July 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2018

	Note	2018 \$'000	2017 \$'000
Revenue			
Sale of goods		12,760	13,539
Sale of services		25,297	24,468
		<u>38,057</u>	<u>38,007</u>
Other income	4	244	537
Costs and expenses			
Cost of sales		(24,459)	(22,918)
Foreign exchange gain		161	126
Staff costs		(5,873)	(5,958)
Depreciation of property, plant and equipment	9	(1,929)	(3,119)
Other operating expenses		(2,872)	(3,298)
Share of results of associates	11	<u>(654)</u>	<u>(1,550)</u>
Profit from operating activities	5	2,675	1,827
Finance costs	6	<u>(797)</u>	<u>(808)</u>
Profit before tax		1,878	1,019
Income tax expense	7	<u>(463)</u>	<u>(396)</u>
Profit for the year		<u>1,415</u>	<u>623</u>
Attributable to:			
Owners of the Company		923	87
Non-controlling interest		492	536
		<u>1,415</u>	<u>623</u>
Earnings per share (cent per share)			
Basic	8	<u>0.07</u>	<u>0.01</u>
Diluted	8	<u>0.07</u>	<u>0.01</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2018

	2018 \$'000	2017 \$'000
Profit for the year	1,415	623
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(2,511)	913
Fair value changes on other investment	3	–
Share of other comprehensive income of associate	(308)	283
Other comprehensive income for the year, net of tax	(2,816)	1,196
Total comprehensive income for the year	<u>(1,401)</u>	<u>1,819</u>
Attributable to:		
Owners of the Company	(1,561)	1,118
Non-controlling interest	160	701
Total comprehensive income for the year	<u>(1,401)</u>	<u>1,819</u>

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

BALANCE SHEETS

As at 31 March 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets					
Property, plant and equipment	9	59,549	64,489	1	1
Investment in subsidiaries	10	–	–	38,133	38,133
Investment in associates	11	5,053	–	–	–
Amount due from associates	18	17,271	–	–	–
Goodwill	12	175	175	–	–
Other investments	13	4,637	4,328	–	–
		86,685	68,992	38,134	38,134
Current assets					
Inventories	14	3,124	3,956	–	–
Trade receivables	15	6,460	5,585	–	–
Other receivables	16	870	1,009	–	–
Prepayments		1,182	1,129	15	7
Construction in progress	22	–	7,188	–	–
Amounts due from subsidiaries	17	–	–	25,151	25,166
Amounts due from associates	18	78	15,278	–	–
Cash and short-term deposits	19	1,456	2,074	40	42
		13,170	36,219	25,206	25,215
Current liabilities					
Trade payables	20	4,799	7,387	–	–
Other payables and accruals	21	3,238	4,744	286	377
Amounts due to subsidiaries	17	–	–	6,453	6,412
Hire purchase creditors	23	59	63	–	–
Loans and borrowings	24	24,672	20,400	2,200	–
Provision for taxation		455	430	–	–
		33,223	33,024	8,939	6,789
Net current (liabilities)/assets		(20,053)	3,195	16,267	18,426
Non-current liabilities					
Amount due to a related company	25	(3,227)	(3,819)	–	–
Hire purchase creditors	23	(161)	(220)	–	–
Loans and borrowings	24	(513)	(4,016)	–	(2,200)
Deferred tax liabilities	26	(47)	(47)	–	–
Net assets		62,684	64,085	54,401	54,360
Equity attributable to owners of the Company					
Share capital	27	46,757	46,757	46,757	46,757
Revenue reserve		14,128	13,205	7,644	7,603
Foreign currency translation reserve	28	(4,619)	(2,132)	–	–
Fair value reserve	29	(41)	(44)	–	–
		56,225	57,786	54,401	54,360
Non-controlling interests		6,459	6,299	–	–
Total equity		62,684	64,085	54,401	54,360

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2018

Group	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital (Note 27) \$'000	Revenue reserve \$'000	Foreign currency translation reserve (Note 28) \$'000	Fair value reserve (Note 29) \$'000	Total equity attributable to owners of the Company \$'000		
2018							
Opening balance at 1 April 2017	46,757	13,205	(2,132)	(44)	57,786	6,299	64,085
Profit for the year	–	923	–	–	923	492	1,415
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	(2,179)	–	(2,179)	(332)	(2,511)
Fair value changes of available-for-sale investment	–	–	–	3	3	–	3
Share of other comprehensive income of associate	–	–	(308)	–	(308)	–	(308)
Total comprehensive income for the year	–	923	(2,487)	3	(1,561)	160	(1,401)
Closing balance at 31 March 2018	46,757	14,128	(4,619)	(41)	56,225	6,459	62,684
2017							
Opening balance at 1 April 2016	46,757	13,118	(3,163)	(44)	56,668	5,666	62,334
Profit for the year	–	87	–	–	87	536	623
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	748	–	748	165	913
Share of other comprehensive income of associate	–	–	283	–	283	–	283
Total comprehensive income for the year	–	87	1,031	–	1,118	701	1,819
<u>Distributions to non-controlling interests</u>							
Dividends	–	–	–	–	–	(68)	(68)
Total distributions to non-controlling interests	–	–	–	–	–	(68)	(68)
Closing balance at 31 March 2017	46,757	13,205	(2,132)	(44)	57,786	6,299	64,085

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2018

Company	Share capital (Note 27) \$'000	Revenue reserve \$'000	Total equity \$'000
Opening balance at 1 April 2017	46,757	7,603	54,360
Profit for the year, representing total comprehensive income for the year	–	41	41
Closing balance at 31 March 2018	<u>46,757</u>	<u>7,644</u>	<u>54,401</u>
Opening balance at 1 April 2016	46,757	6,856	53,613
Profit for the year, representing total comprehensive income for the year	–	747	747
Closing balance at 31 March 2017	<u>46,757</u>	<u>7,603</u>	<u>54,360</u>

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2018

	2018 \$'000	2017 \$'000
Operating activities		
Profit before tax	1,878	1,019
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	1,929	3,119
Interest expense	797	808
Write back of allowance for doubtful debts, net	(20)	(5)
Bad debt written off	–	46
Write off of property, plant and equipment	–	93
Interest income	(15)	(10)
Loss on disposal of investment	–	51
Write back for stock obsolescence, net	(34)	–
Currency alignment	(477)	(598)
Share of results of associates	654	1,550
Operating cash flows before changes in working capital	4,712	6,073
<u>Changes in working capital</u>		
Decrease/(increase) in inventories	866	(54)
(Increase)/decrease in trade and other receivables	(766)	1,370
Increase in amount due from associates	(2,071)	(1,960)
(Decrease)/increase in trade and other payables	(4,797)	1,775
Decrease/(increase) in construction in progress	2,135	(2,890)
Cash flows generated from operations	79	4,314
Interest received	15	10
Interest paid	(748)	(778)
Income taxes paid	(439)	(403)
Net cash flows (used in)/generated from operating activities	(1,093)	3,143
Investing activities		
Purchases of property, plant and equipment (Note 9)	(443)	(223)
Purchase of investment	–	(379)
Proceeds from sale of other investment	–	4,617
Net cash flows (used in)/generated from investing activities	(443)	4,015
Financing activities		
Repayment of trust receipts and short-term borrowings	(2,744)	(2,925)
Drawdown/(repayment) of interest bearing term loans	3,018	(7,814)
(Increase)/decrease in fixed deposits pledged	(255)	2,349
Repayment under hire-purchase contracts	(63)	(42)
Net cash flows used in financing activities	(44)	(8,432)
Net decrease in cash and cash equivalents	(1,580)	(1,274)
Effect of exchange rate changes on cash and cash equivalents	(69)	49
Cash and cash equivalents at beginning at 1 April	(955)	270
Cash and cash equivalents at 31 March (Note 19)	(2,604)	(955)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

1. Corporate information

Asiatic Group (Holdings) Limited (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 65 Joo Koon Circle, Singapore 629078.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The Group mainly operates in Singapore, Cambodia and Malaysia.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 April 2018.

The Group has performed an assessment of impact of adopting SFRS(I). On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to zero on 1 April 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 April 2017. The Group expects to reclassify an amount of \$2,132,000 of foreign currency translation reserve to the opening retained earnings as at 1 April 2017.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.4.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.2 Fundamental accounting concept

As at 31 March 2018, the Group's current liabilities exceeded its current assets by \$20.05 million. The Group also has scheduled repayment terms with the banks for the next 12 months from the date where these financial statements were approved of which the Group may not have sufficient cash flows to fulfil those debt obligations. For the year ended 31 March 2018, the net cash outflow from operating activities amounted to \$1.09 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In the opinion of the directors, the Group is able to continue as a going concern despite the conditions stated above as the directors are of the view that the Group will receive continued financial support from banks and will be able to generate positive cash flows from operations for a period of 12 months from the date these financial statements were approved.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.4 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 109: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28: <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
INT FRS 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 and 111: <i>Previously Held Interest in a Joint Operation</i>	1 January 2019
– Amendments to FRS 12: <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i>	1 January 2019
– Amendments to FRS 23: <i>Borrowing Costs Eligible for Capitalisation</i>	1 January 2019
FRS 117 <i>Insurance Contracts</i>	1 January 2021
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 April 2018. Upon adoption of SFRS(I) on 1 April 2018, the SFRS(I) equivalent of the above standards that are effective on 1 April 2018 will be adopted at the same time. Except for SFRS(I) 15, SFRS(I) 9, and SFRS(I) 16, the Directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is currently assessing the impact of adopting SFRS(I) 15 and this assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 on 1 April 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after April 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

The Group intends to hold its currently held-to-maturity debt instruments to collect contractual cash flows, and accordingly measured at amortised cost when it applies SFRS(I) 9. The Group does not expect any significant impact to arise from these changes.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables. The Group is currently performing a detailed analysis which considers all reasonable elements and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 April 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.5 Basis of consolidation

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

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

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

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

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

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

2.6 Transactions with non-controlling interests

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.7 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the 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 each balance sheet 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at each balance sheet 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. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of each balance sheet 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. The cost of an item of property, plant and equipment 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 are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful 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 costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

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

Leasehold factory buildings	-	60 years
Power plant	-	10 to 50 years
Motor vehicles	-	5 years
Office equipment, computers, furniture and fittings	-	3 to 10 years
Plant and machinery	-	5 years
Renovations	-	3 to 5 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.9 Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to 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 acquiree 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 of 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 losses recognised for goodwill are 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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 forecast 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 year.

Impairment losses of continuing operations are recognised in profit or loss, 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 balance sheet 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 asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 Subsidiaries

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

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

2.12 Associates

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

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.12 Associates (cont'd)

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest 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.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss 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 profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset 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.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value.

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

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

2.18 Provisions

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

Provisions are reviewed at each balance sheet 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. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants related to income

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.22 Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.23 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 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.

As lessee

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

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

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering of services are recognised by reference to the stage of completion at the end of the balance sheet date. During the year, the Group's sales of service were generated from its maintenance services performed on its fire-fighting equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.24 Revenue (cont'd)

(c) Construction revenue

Construction revenue is recognised according to the accounting policy in Note 2.16.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

Rental income arising from operating leases on equipment is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the balance sheet 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.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expense

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

2.28 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. Summary of significant accounting policies (cont'd)

2.28 Contingencies (cont'd)

- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Going concern assumption

As at 31 March 2018, the Group's current liabilities exceeded its current assets by \$20.05 million. The Group also has scheduled repayment terms with the banks for the next 12 months from the date where these financial statements were approved of which the Group may not have sufficient cash flows to fulfil those debt obligations. For the year ended 31 March 2018, the net cash outflow from operating activities amounted to \$1.09 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have prepared the consolidated financial statements on a going concern basis as they expect the Group continues to receive financial support from the banks and will be able to generate positive operating cash flows. This will enable the Group to pay its debts as and when they fall due. In making the going concern assessment, judgement is involved in determining some of the assumptions used in the cash flow projections, which includes among other factors, the electricity rate, future market outlook and projected energy consumption rate in coming years.

3.2 Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(i) Assessment of allowance for doubtful debts

The Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables at the end of each reporting period are disclosed in Note 15 to the financial statements.

(ii) Impairment assessment of Maju Intan Biomass Project

As at 31 March 2018, the Group's interest in the Maju Intan Biomass Project included cost of investment in associate, Maju Intan Biomass Energy Sdn Bhd ("MJE"), convertible bonds and amount due from MJE amounting to \$5.05 million, \$4.48 million and \$17.27 million respectively. For the year ended 31 March 2018, the Group's share of MJE's losses amounted to \$0.65 million. As there were indicators of impairment, management performed an assessment on the recoverable amount of the Group's cost of investment in MJE, convertible bonds and amount due from MJE based on MJE's value-in-use ("VIU") calculation. The recoverable amount is most sensitive to forecasted electricity generation volumes and the discount rate used for the discounted cash flow model.

The key assumptions applied in the determination of the VIU including a sensitivity analysis, are disclosed and further explained in Note 11 to the financial statements.

4. Other income

	Group	
	2018 \$'000	2017 \$'000
Interest income	15	10
Special employment credit	17	42
SME cash grants	2	1
Sale of sludge and scrap metals	–	2
Others	210	482
	<u>244</u>	<u>537</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

5. Profit from operating activities

The following items have been included in arriving at profit from operating activities:

	Group	
	2018	2017
	\$'000	\$'000
Audit fees payable to:		
- Auditors of the Company	(100)	(100)
- Other auditors	(17)	(19)
Write back of allowance for doubtful debts, net (Note 15)	20	5
Write back for stock obsolescence, net (Note 14)	34	-
Contributions to defined contribution plans	(324)	(345)
Insurance	(287)	(242)
Inventories recognised as an expense in cost of sales (Note 14)	(9,826)	(12,015)
Legal fees	(64)	(102)
Other operating expenses:		
- Rental	(260)	(222)
- Travelling and transportation	(157)	(167)
Bad debts written off	-	(46)
Write off of property, plant and equipment	-	(93)

6. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expense on:		
- Bank loans	(753)	(656)
- Non-convertible bonds	(33)	(145)
- Hire purchase	(11)	(7)
	(797)	(808)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

7. Income tax expense

The major components of taxation for the financial years ended 31 March 2018 and 2017 are:

	Group	
	2018	2017
	\$'000	\$'000
Consolidated income statement		
Current taxation	445	465
Under/(over) provision in respect of previous years	18	(69)
Tax expense recognised in profit or loss	463	396

Reconciliation of the statutory tax rate to the effective tax rate applicable to profit before tax for the financial years ended 31 March 2018 and 2017 are as follows:

	Group	
	2018	2017
	%	%
Statutory tax rate	17.0	17.0
Tax effect on:		
Effect of different tax rates in foreign countries	4.3	5.0
Income not subjected to tax	(47.9)	(10.5)
Expenses that are not deductible for tax purposes	45.9	89.0
Effect of partial tax exemption and tax relief	(3.0)	(4.3)
Deferred tax assets not recognised	20.7	2.1
Utilisation of previously unrecognised deferred tax assets	(13.2)	(52.7)
Under/(over) provision in respect of previous years	1.0	(6.8)
Others	(0.1)	–
Effective tax rate	24.7	38.8

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

As at 31 March 2018, the Group has unutilised tax losses of approximately \$20,826,000 (2017: \$18,295,000) that are available for offset against future taxable profit of the companies in which the losses arose. The resulting deferred tax asset of \$4,058,000 (2017: \$3,610,000) are not recognised due to uncertainty of its recoverability. The use of these unutilised tax losses subject to the agreement of the tax authorities and compliance with certain provision of the tax legislation of the respective countries in which the companies operate, and there is no expiry date on the utilisation of such tax losses for offset against future taxable profits, except for amounts of \$17,245,000 (2017: \$16,655,000) which will expire over financial years 2019 to 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

The following reflects the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 March:

	Group	
	2018 \$'000	2017 \$'000
Profit for the year attributable to owners of the Company	923	87
	No. of shares	
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation*	1,324,463	1,324,463

* The weighted average number of shares takes into account the weighted average effect of potential common shares that may be converted during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in table above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

9. Property, plant and equipment

Group	Leasehold factory buildings \$'000	Motor vehicles \$'000	Office equipment, computers, furniture and fittings \$'000	Plant and machinery \$'000	Renovations \$'000	Power plant ⁽¹⁾ \$'000	Assets under construction \$'000	Total \$'000
Cost								
At 1 April 2016	4,821	1,245	488	218	109	90,691	2,857	100,429
Additions	–	292	117	–	13	–	–	422
Translation	–	–	–	–	–	3,215	–	3,215
Disposals	–	(4)	–	–	–	–	–	(4)
Write off	–	–	–	–	–	–	(93)	(93)
At 31 March 2017 and 1 April 2017	4,821	1,533	605	218	122	93,906	2,764	103,969
Additions	–	92	112	–	133	106	–	443
Translation	–	–	–	–	–	(5,736)	–	(5,736)
At 31 March 2018	4,821	1,625	717	218	255	88,276	2,764	98,676
Accumulated depreciation								
At 1 April 2016	1,225	841	361	143	73	32,549	–	35,192
Charge for the year	95	151	49	29	24	2,771	–	3,119
Translation	–	–	–	–	–	1,173	–	1,173
Disposals	–	(4)	–	–	–	–	–	(4)
At 31 March 2017 and 1 April 2017	1,320	988	410	172	97	36,493	–	39,480
Charge for the year	95	187	64	26	29	1,528	–	1,929
Translation	–	–	–	–	–	(2,282)	–	(2,282)
At 31 March 2018	1,415	1,175	474	198	126	35,739	–	39,127
Net book value								
At 31 March 2017	3,501	545	195	46	25	57,413	2,764	64,489
At 31 March 2018	3,406	450	243	20	129	52,537	2,764	59,549

(1) Included in Power plant is freehold land with carrying value of S\$3,343,000 (2017: S\$3,560,000).

Assets held under finance leases

The carrying amount of motor vehicles held under finance leases at the end of the financial year was \$247,000 (2017: \$322,000).

Leased assets are pledged as security for related finance lease liabilities.

Assets pledged as security

As at 31 March 2018, the Group's power plant and assets under construction with carrying amount of \$55,301,000 (2017: \$60,177,000) are subject to a first charge to secure the bank loans (Note 24).

In addition to assets held under finance leases, the Group's factory buildings with a carrying amount of \$3,406,000 (2017: \$3,501,000) are mortgaged to secure the Group's bank loans (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

10. Investment in subsidiaries

	Company	
	2018 \$'000	2017 \$'000
Shares, at cost	38,133	38,133

(a) Composition of the Group

The subsidiaries as at 31 March are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Unquoted equity shares, at cost		Proportion (%) of ownership interest	
		2018	2017	2018	2017
		\$'000	\$'000	%	%
Held by the Company					
Asiatic Fire System Pte Ltd * (Singapore)	Supply, installation and maintenance of fire fighting and protection equipment (Singapore)	8,284	8,284	100	100
Colben System Pte Ltd * (Singapore)	Business of controlled power supply, engineering and procurement and construction in power generation projects and precision gear products (Singapore)	19,849	19,849	100	100
Colben Energy (Singapore) Pte Ltd * (Singapore)	Holding company for the Group's investments in energy related business in the region (Singapore)	10,000	10,000	100	100
		38,133	38,133		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

10. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion (%) of ownership interest	
		2018 %	2017 %
Held by subsidiaries			
Colben Energy Holdings (Cambodia) Ltd # (British Virgin Islands)	Investment holding company (British Virgin Islands)	85	85
Colben Energy Holdings (PPSEZ) Ltd # (British Virgin Islands)	Investment holding company (British Virgin Islands)	95	95
Colben Energy Holdings (Vietnam) Ltd # (British Virgin Islands)	Investment holding company and construction of power generation facilities (British Virgin Islands)	100	100
Colben Energy Holdings (Maju Intan) Ltd # (British Virgin Islands)	Investment holding company and construction of power generation facilities (British Virgin Islands)	100	100
Colben Energy Holdings (Kemaman) Ltd # (British Virgin Islands)	Investment holding company (British Virgin Islands)	100	100
Colben Energy (Cambodia) Limited **+ (Cambodia)	Operate power plant (Cambodia)	85	85
Colben Energy (Cambodia) PPSEZ Limited **##+ (Cambodia)	Operate power plant (Cambodia)	49	49

* Audited by Ernst & Young LLP, Singapore

** Audited by BDO (Cambodia) Ltd, Cambodia

+ Audited by Ernst & Young LLP, Singapore for the purpose of consolidation of the Group

Not required to be audited by the law of its country of incorporation

Classified as subsidiary as the Company has effective control over the board of directors of this company

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

10. Investment in subsidiaries (cont'd)

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest		Profit allocated to NCI during the reporting period		Accumulated NCI at the end of the reporting period	
		2018	2017	2018	2017	2018	2017
		%	%	\$'000	\$'000	\$'000	\$'000
Colben Energy (Cambodia) PPSEZ Limited	Cambodia	27 ^{##}	27 ^{##}	283	289	6,067	6,059

^{##} Due to a shareholder loan agreement which allows the conversion of shareholder's loan into shares, the effective proportion of ownership interest held by non-controlling interest is deemed to be at 27%.

(c) Summarised financial information about subsidiary with material NCI

Summarised financial information including consolidation adjustment but before intercompany eliminations of subsidiaries with material non-controlling interest are as follows:

	Colben Energy (Cambodia) PPSEZ Limited	
	2018	2017
	\$'000	\$'000

Summarised balance sheet

Current:

Assets	2,121	2,055
Liabilities	(35,658)	(40,241)
Net current liabilities	(33,537)	(38,186)

Non-current:

Assets	52,984	58,197
Liabilities	(3,227)	(3,818)
Net non-current assets	49,757	54,379
Net assets	16,220	16,193

Summarised statement of comprehensive income

Revenue	16,711	14,597
Profit before income tax	1,322	1,356
Profit after tax	1,047	1,071
Other comprehensive income	(1,019)	526
Total comprehensive income	28	1,597

Other summarised information

Net cash flows from/(used in) operations	35	(475)
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

11. Investment in associates

	Group	
	2018	2017
	\$'000	\$'000
Shares, at cost	3,765	3,765
Share of post-acquisition reserves	(5,758)	(3,765)
Transfer from construction in progress (Note 22)	7,046	–
	<u>5,053</u>	<u>–</u>

As at 31 March 2018, the Group in support of Maju Intan Biomass Energy Sdn. Bhd. (“MJE”)’s efforts in improving the operating efficiency of the biomass plant, agreed to defer the collection of trade receivables from Maju Intan Biomass Energy Sdn. Bhd. (“MJE”) till the cash flow of MJE permits. The Group also agreed to recover the unbilled amounts of construction in progress at the end of the project and accordingly capitalised it as cost of investment in associate.

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2018	2017
			%	%
Held through subsidiaries:				
Maju Intan Biomass Energy Sdn. Bhd. *	Malaysia	Operate power plant	30	30
Kemaman Biomass Power (M) Sdn. Bhd. *	Malaysia	Operate power plant	<u>30</u>	<u>30</u>

* Audited by Simon Khor & Co, Malaysia

Kemaman Biomass Power (M) Sdn. Bhd. is individually immaterial to the Group. Aggregate information about the Group’s investments in associate that is not individually material is as follows:

	Kemaman Biomass Power (M) Sdn. Bhd.	
	2018	2017
	\$'000	\$'000
Loss after tax	(18)	(28)
Other comprehensive income	–	–
Total comprehensive income	<u>(18)</u>	<u>(28)</u>
Carrying amount of the investment	<u>– *</u>	<u>–</u>

* During the year, the share of losses related to Kemaman Biomass Power (M) Sdn. Bhd. amounts to \$8,000 which has been recognised as a liability as the Group has obligation towards such losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

11. Investment in associates (cont'd)

The summarised financial information in respect of material associate, MJE, based on FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Maju Intan Biomass Energy Sdn. Bhd.	
	2018	2017
	\$'000	\$'000
Summarised balance sheet		
Current assets	2,611	1,330
Non-current assets	43,547	45,736
Total assets	46,158	47,066
Current liabilities	3,495	20,894
Non-current liabilities	48,371	29,404
Total liabilities	51,866	50,298
Net liabilities	(5,708)	(3,232)
Net liabilities	(5,708)	(3,232)
Proportion of the Group's ownership	30%	30%
The Group's share of net liabilities ⁽¹⁾	(1,712)	(970)
Other adjustments	(281)	–
Transfer to Provision (Note 21)	–	970
Transfer from construction in progress	7,046	–
Carrying amount of the investment	5,053	–
Summarised statement of comprehensive income		
Revenue	7,227	5,257
EBITDA ⁽²⁾	2,556	416
Loss after tax	(2,152)	(5,139)
Other comprehensive income	(1,027)	943
Total comprehensive income	(3,179)	(4,196)

(1) As at 31 March 2018, the Group's accumulated share of post-acquisition reserves in MJE amounted to \$5,736,000, which is included in the "Share of post-acquisition reserves" line above. As at 31 March 2017, the Group's accumulated share of post-acquisition reserves in MJE amounted to \$4,713,000, of which \$970,000 was included in "Provision" (Note 21) as it exceeded the Group's cost of investment in MJE as at the end of 31 March 2017. The Group continues to record the share of losses as it has obligation towards such losses.

(2) Earnings before interest expenses, income tax and depreciation

Assessment of impairment for the Maju Intan Biomass Project

The calculation of VIU of MJE is most sensitive to the following assumptions:

- (i) Electricity generation volume

Electricity generation volume is forecasted to gradually increase from 85% in FY 2019 to 92% from FY 2020 to FY 2023, 96% from FY 2024 to FY2027 and 98% from FY 2028 to FY 2031, which reflects the improved operating effectiveness of the plant at MJE.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

11. Investment in associates (cont'd)

Assessment of impairment for the Maju Intan Biomass Project (cont'd)

(ii) Fuel consumption margins

Fuel consumption margins are forecasted to increase from 66% in FY 2019 to 68% from FY 2020 to FY 2024, 70% from FY 2025 to FY 2028 and 72% from FY 2029 to FY 2031, which reflects anticipated efficiency improvement of the operations of MJE.

(iii) Discount rate

The discount rate used is 9.0%. The discount rate represent the current market assessment of the risks specific to companies in the similar industry to MJE, regarding the time value of money and individual risks of the underlying assets and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity.

Sensitivity to changes in assumptions

With regard to the assessment of the VIU of MJE, management believes that no reasonable possible changes in any of the above key assumptions would cause the cost of investment in associate to materially exceed its recoverable amount.

(i) Electricity generation volume

If the forecasted electricity generation volume increase from 85% to 92%, 96% and 98% are delayed till FY 2020, FY 2022, FY 2026 and FY 2030 respectively with all other variables constant, the VIU will decrease by \$2,290,000.

(ii) Fuel consumption margins

If forecasted fuel consumption margins are to remain flat with all other variables constant, the VIU will decrease by \$1,155,000.

(iii) Discount rate

If discount rate is increased to 9.5% with all other variables constant, the VIU will decrease by \$1,920,000.

None of the above changes in assumptions would result in impairment of the cost of investment in MJE, convertible bonds and amounts due from MJE at the end of 31 March 2018.

12. Goodwill

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 April and 31 March	175	175	–	–

Goodwill acquired through business combinations have been allocated to cash-generating unit ("CGU"), Colben System Pte Ltd ("Colben"), a subsidiary whose principal activities are to carry on the business as distributors and representatives of controlled power supply and precision gear products.

The Board of Directors has assessed that the goodwill allocated to the CGU is not significant and accordingly an assessment of the goodwill has not been performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

13. Other investments

	Group	
	2018	2017
	\$'000	\$'000
Non-current:		
<i>Held-to-maturity investment</i>		
- 12% p.a. convertible bonds (unquoted)	4,476	4,167
<i>Other investment</i>		
- Key-man insurance product	161	161
	<u>4,637</u>	<u>4,328</u>

Convertible bonds

In 2010, the Group entered into a convertible bond agreement with the other shareholders of an associate, Maju Intan Biomass Energy Sdn. Bhd. ("MJE") in which the shareholders issued an aggregate principal amount of Malaysia Ringgit ("RM") 12 million 12% p.a. convertible bonds with maturity date on the twelve anniversary date of the issue date at an issue price of 100% of the principal amount of the bonds. The convertible bonds are convertible into ordinary shares of the associate and/or new ordinary shares of the issuer only on certain events of redemption such as initial public offering and insolvency of the associate.

In 2017, the Group entered into a bond sale agreement with one of the bondholders, who held the convertible bonds of the other shareholders of MJE, to acquire RM1.2 million of the convertible bonds. The convertible bonds acquired have the same terms as the bonds acquired through the convertible bond agreement in 2010.

Interest is waived until the underlying project for which the proceeds of the bonds to be utilised is completed.

Key-man insurance product

Key-man insurance product is recorded at surrender value as provided by the insurance company.

14. Inventories

	Group	
	2018	2017
	\$'000	\$'000
<i>Balance sheet:</i>		
Trading stocks, at cost	3,169	4,025
Less: Allowance for stock obsolescence	(35)	(69)
	<u>3,124</u>	<u>3,956</u>
<i>Income statement:</i>		
Inventories recognised as an expense in cost of sales	9,826	12,015
Write back for stock obsolescence, net	(34)	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

15. Trade receivables

	Group	
	2018	2017
	\$'000	\$'000
Trade receivables	6,489	5,634
Less: Allowance for doubtful debts	(29)	(49)
	<u>6,460</u>	<u>5,585</u>

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade debtors that are past due but not impaired

The Group has trade receivables amounting to \$3,413,000 (2017: \$2,039,000) that are past due at the balance sheet date but not impaired. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Trade receivables past due:		
Less than 31 days	727	708
31 to 60 days	1,464	615
61 to 90 days	273	316
91 to 365 days	949	400
	<u>3,413</u>	<u>2,039</u>

	Group	
	Individually impaired	
	2018	2017
	\$'000	\$'000
Trade receivables – nominal amounts	29	188
Less: Allowance for doubtful debts	(29)	(49)
	<u>–</u>	<u>139</u>

Movement in allowance accounts:

At 1 April	49	154
Charge for the year	29	49
Written back	(49)	(54)
Written off	–	(100)
At 31 March	<u>29</u>	<u>49</u>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors who have delay in payments and indication of default on payments. These trade receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

15. Trade receivables (cont'd)

Trade receivables denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
United States Dollar	17	45	–	–
	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables	6,460	5,585	–	–
Other receivables (Note 16)	870	1,009	–	–
	7,330	6,594	–	–
Amounts due from subsidiaries (Note 17)	–	–	25,151	25,166
Amounts due from associates (Note 18)	17,349	15,278	–	–
Cash and short-term deposits (Note 19)	1,456	2,074	40	42
Total loans and receivables	26,135	23,946	25,191	25,208

16. Other receivables

	Group	
	2018 \$'000	2017 \$'000
Deposits	183	230
Sundry debtors	687	779
	870	1,009

17. Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and repayable in cash upon demand.

18. Amounts due from associates

The current amounts due from associates are trade in nature, unsecured and interest-free. The non-current amounts due from associate relates to unsecured trade receivables which is repayable when the cash flows of the associate permits. The non-current amounts will earn interest of 12.5% p.a. on amounts outstanding from FY2025. (See Note 11)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

19. Cash and short-term deposits

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	851	1,725	40	42
Short-term deposits	605	349	–	–
Cash and short-term deposits	1,456	2,074	40	42

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between three and six months, depending on the immediate cash requirement of the Group and the Company, and earn interests at the respective short-term deposit rates. The fixed deposits have effective interest rate at 5.00% (2017: 5.00%) p.a.. Fixed deposits amounting to \$605,000 (2017: \$349,000) are pledged to secure banking facilities granted to certain subsidiaries (Note 24).

Cash and short-term deposits denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
United States Dollar	443	1,317	13	13
Cambodian Riel	103	177	–	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of balance sheet date:

	Group	
	2018	2017
	\$'000	\$'000
Cash at banks and on hand	851	1,725
Short-term deposits	605	349
	1,456	2,074
Pledged short-term deposits	(605)	(349)
Bank overdrafts (Note 24)	(3,455)	(2,680)
	(2,604)	(955)

20. Trade payables

These amounts are non-interest bearing and are normally settled on 60-day terms.

Trade payables denominated in foreign currencies at 31 March are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Malaysia Ringgit	984	939
United States Dollar	144	493
Euro	129	341
British Pound	45	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

20. Trade payables (cont'd)

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Trade payables	4,799	7,387	–	–
Other payables and accruals (Note 21)	3,238	4,744	288	377
Less: Deferred income (Note 21)	(19)	(23)	–	–
Total trade and other payables	8,018	12,108	288	377
Amounts due to subsidiaries	–	–	6,453	6,412
Hire purchase creditors				
- Current (Note 23)	59	63	–	–
- Non-current (Note 23)	161	220	–	–
Amounts due to a related company (non-current)	3,227	3,819	–	–
Loans and borrowings				
- Current (Note 24)	24,672	20,400	2,200	–
- Non-current (Note 24)	513	4,016	–	2,200
Total financial liabilities at amortised cost	36,650	40,626	8,941	8,989

21. Other payables and accruals

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Accruals	1,181	786	196	203
Deferred income	19	23	–	–
Sundry payables	1,060	1,603	90	174
Provision	30	993	–	–
Advances from directors	948	1,339	–	–
	3,238	4,744	286	377

Advances from directors

Advances from directors are unsecured, non-interest bearing and repayable on demand.

Provision

Provision relates to the Group's accumulated share of post-acquisition reserves in associates which have exceed the cost of investment. The accumulated share of post-acquisition reserves relating to MJE has been included in cost of investment in associate during the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

22. Excess of progress billing over construction in progress

	Group	
	2018	2017
	\$'000	\$'000
Aggregate amount of costs incurred and recognised profits to date	9,801	9,753
Less: Progress billings	(2,755)	(2,565)
Less: Transferred to cost of investment in associate (Note 11)	(7,046)	–
	–	7,188
Presented as:		
Gross amount due from customers for contract work	–	7,188

The above relates to the Maju Intan Biomass Project in Malaysia.

23. Hire purchase creditors

The Group has finance leases for office equipment and motor vehicle and these expire over various dates till 2023.

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

	Group			
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2018	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000
Within 1 year	69	59	74	63
After 1 year but not more than 5 years	190	161	259	220
Total minimum lease payments	259	220	333	283
Less: Amounts representing finance charges	(39)	–	(50)	–
Present value of minimum payments	220	220	283	283

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

24. Loans and borrowings

		Group		Company	
	Maturity	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
Current:					
Bank overdrafts (Note 19)	On demand	3,455	2,680	–	–
Term loans from banks	FY2019	16,920	12,839	–	–
Trust receipts	FY2019	1,782	4,541	–	–
Non-convertible bonds					
- Guaranteed bonds	FY2019	715	340	400	–
- Non-guaranteed bonds	FY2019	1,800	–	1,800	–
		24,672	20,400	2,200	–
Non-current:					
Term loans from bank	FY2020	513	1,816	–	–
Non-convertible bonds					
- Guaranteed bonds	FY2019	–	400	–	400
- Non-guaranteed bonds	FY2019	–	1,800	–	1,800
		513	4,016	–	2,200
Total loans and borrowings		25,185	24,416	2,200	2,200

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 9). The average discount rate implicit in the leases is 6.02% p.a. (2017: 6.15% p.a.).

Bank overdrafts

Bank overdrafts bear interest at 5.75% To 9.75% (2017: 5.75% To 9.75%) p.a., are repayable on demand and are secured by fixed deposits amounting to \$605,000 (2017: \$349,000) (Note 19).

Term loans from banks

Term loans from banks bear interest ranging from 2.14% to 9.50% (2017: 1.89% to 9.50%) p.a. and are secured by first fixed charge over certain property, plant and equipment (Note 9) and corporate guarantee provided by the Company and certain subsidiaries.

Trust receipts

Trust receipts bear interest ranging from 2.66% to 5.32% (2017: 2.27% to 4.86%) p.a. and are secured are secured by fixed deposits amounting to \$605,000 (2017: \$349,000) (Note 19), first fixed charge over certain property, plant and equipment (Note 9) and corporate guarantee provided by the Company and certain subsidiaries.

Guaranteed bonds

As at 31 March 2018, the Group had non-convertible guaranteed bonds amounting to \$315,000 and \$400,000 which are due on 30 April 2018 and 18 March 2019 respectively. These bonds bear interest ranging from 8% to 10% p.a. which is payable semi-annually in arrears. The bonds are secured either by the Company, a subsidiary or a director of the Company. The Group is also entitled to the early redemption of non-convertible guaranteed bonds amounting to \$400,000, in whole or in part, at 100.0% of its principal amount.

Subsequent to year end, the maturity of the non-convertible guaranteed bonds due on 30 April 2018 were extended to 30 April 2019 on the same terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

24. Loans and borrowings (cont'd)

Non-guaranteed bonds

As at 31 March 2018, the Group had non-convertible bonds amounting to \$1,800,000 which are due on 18 March 2019. These bonds bear interest of 8% p.a. which is payable semi-annually in arrears. The Group is also entitled to the early redemption of these bonds, in whole or in part, at 100.0% of its principal amount.

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

	2017	Cash flows	Non-cash changes		2018
			Foreign exchange movement	Reclassification to non-current	
Term loans from bank					
- Non-current	1,816	(2,444)	(111)	1,252	513
- Current	12,839	5,479	(146)	(1,252)	16,920
Trust receipts	4,541	(2,745)	(14)	–	1,782
Non-convertible bonds					
- Current	340	(17)	(8)	2,200	2,515
- Non-current	2,200	–	–	(2,200)	–
	<u>21,736</u>	<u>273</u>	<u>(279)</u>	<u>–</u>	<u>21,730</u>

25. Amount due to a related company

Amount due to a related company (shareholder of a subsidiary) is non-trade in nature, unsecured, interest-free and not repayable within 12 months from the date of issue of these financial statements.

26. Deferred tax liabilities

Deferred tax as at 31 March relates to the following:

	Group	
	2018 \$'000	2017 \$'000
Deferred tax liabilities		
Differences in depreciation for tax purposes	<u>47</u>	<u>47</u>

Unrecognised temporary differences relating to investments in subsidiaries and associates

As at 31 March 2018, there are no unrecognised temporary differences relating to investments in subsidiaries as the Group has determined that the portion of the undistributed earnings of its subsidiaries that will be distributed in the foreseeable future to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

27. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares				
At 1 April and 31 March	1,324,463	46,757	1,324,463	46,757

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.

The Asiatic Performance Share Plan 2013 (the "Plan")

On 15 August 2013, the shareholders approved the Asiatic Performance Share Plan (the "Plan") at the Extraordinary General Meeting. Participation in the Plan will not restrict eligible Group employees from the existing Asiatic Share Option Scheme.

The Plan shall continue in force for a maximum period of 10 years commencing from 15 August 2013, provided always that the Plan may continue beyond the stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The information regarding the Plan is as follows:

- (a) All Group employees are eligible participants of the Plan to receive Awards, which represent the right to receive fully paid shares of the Company free of charge.
- (b) The number of shares which may be vested is limited to the following:
 - (i) The aggregate number of shares over which Awards may be granted, when added to the number of shares issued and issuable in respect of all Awards granted under the Plan shall not exceed 15% of the issued shares of the Company on the day preceding the grant of the Award.
 - (ii) The aggregate number of Shares that are available to the Controlling Shareholders (defined generally as a person who holds directly or indirectly a shareholding of 15% or more of the Company's total number of issued shares) and their Associates shall not exceed 25% of the total number of shares available under the Plan.
 - (iii) The number of shares that are available to each Controlling Shareholder or his Associate under the Plan shall not exceed 10% of the shares available under the Plan.
- (c) The terms of the Award, including performance targets, performance period, number of shares to be vested and the date by which the Award shall be vested will be determined by the Remuneration Committee for each eligible participant.
- (d) Awards will be vested by way of issue of new shares or the transfer of existing shares held as treasury shares.

From the date of approval of the Plan up to the financial year end, the Company has not granted any Awards to the employees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

27. Share capital (cont'd)

The Asiatic Share Option Scheme 2008 (the "Scheme")

On 25 July 2008, the shareholders approved the Asiatic Share Option Scheme 2008 (the "Scheme") at the Extraordinary General Meeting.

The Scheme shall continue in force for a maximum period of 10 years commencing from 25 July 2008, provided always that the Scheme may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The information regarding the Scheme is as follows:

- (a) The aggregate number of shares over which options may be granted, when added to the number of shares issued and issuable in respect of all options granted under the Scheme shall not exceed 15% of the issued shares of the Company on the day preceding the grant of the option.
- (b) The Scheme has two categories of options, being the Market Price Option and the Incentive Option.
 - (i) Under the Market Price Option, the exercise price is the average of the last dealt prices for a share as determined by reference to the daily official list published by the SGX-ST for the five (05) consecutive market days immediately preceding the date of grant, rounded up to the nearest whole cent (the "Market Price").
 - (ii) Under the Incentive Option, Committee has the discretion to issue option with an exercise price and set a discount not exceeding 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted by the SGX-ST).
- (c) The eligible grantee must accept the offer of the option within a period of not less than 15 days and not more than 30 days from the date of such offer else the offer will lapse. Upon the acceptance of the offer, the grantee shall pay to the Company the sum of \$1.00.
- (d) A Market Price Option may be exercised during the period commencing after the 12 months period from the offer date and expiring on the tenth anniversary of such offer date. An Incentive Option can be exercised during the period after the 24 months period from the offer date and expiring on the tenth anniversary of such offer date. Option granted to the non-executive directors will expire on the fifth anniversary of such offer date.

From the date of approval of the Scheme up to the financial year end, the Company has not granted any share options to the employees.

28. Foreign currency translation reserve

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

	Group	
	2018	2017
	\$'000	\$'000
At 1 April	(2,132)	(3,163)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(2,179)	748
Share of other comprehensive income of associate	(308)	283
At 31 March	(4,619)	(2,132)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

29. Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of other investment until they are disposed of or impaired.

30. Related party transactions

(a) Sale and purchase of goods and services

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

	Group	
	2018 \$'000	2017 \$'000
Purchase of corporate secretarial support services from a firm related to a director	21	21

(b) Directors' and executive officers' remuneration *

	Group	
	2018 \$'000	2017 \$'000
Directors' remuneration	1,020	1,020
Executive officers' remuneration	803	817

* Included in the above remuneration for the Group is payment for defined contribution plans of \$85,000 (2017: \$86,000).

(c) Others

Bond interest and redemption premium amounting to \$8,000 was paid to a director in the current financial year, of which he remains as a Guarantee Bonds Subscriber (Note 24) of a principal amount of \$100,000 as at 31 March 2018.

31. Directors' remuneration

The number of directors of the Company whose total remuneration from the Group falls into the following bands is as follows:

	Group	
	2018 Number of directors	2017 Number of directors
\$250,000 - \$499,999	3	3
Below \$250,000	3	4
Total	6	7

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

32. Commitments and contingencies

Operating lease commitments – as lessee

The Group has entered into leases for property that is non-cancellable.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2018 amounted to \$260,000 (2017: \$222,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Not later than one year	216	213
Later than one year but not later than five years	659	741
Later than five years	63	213
	938	1,167

Contingent liabilities

The Company has provided corporate guarantees to financial institutions amounting to US\$10.6 million (2017: US\$9.5 million), \$27.2 million (2017: \$27.4 million) and RM195.5 million (2017: RM195.5 million) to secure banking facilities granted to its subsidiaries and an associate.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the balance sheet date, the Group's and the Company's maximum exposure to credit risk are represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets.
- A nominal amount of US\$10.6 million (2017: US\$9.5 million), \$27.2 million (2017: \$27.4 million) and RM195.5 million (2017: RM195.5 million) relating to corporate guarantees provided by the Company to financial institutions.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and business segment of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2018		2017	
	\$'000	% of total	\$'000	% of total
By country:				
Singapore	3,587	56	2,852	51
Cambodia	2,477	38	2,295	41
Indonesia	272	4	287	5
Others	124	2	151	3
	<u>6,460</u>	<u>100</u>	<u>5,585</u>	<u>100</u>
By industry sectors:				
Fire fighting and protection	3,983	62	3,290	59
Power related	2,477	38	2,295	41
	<u>6,460</u>	<u>100</u>	<u>5,585</u>	<u>100</u>

As at balance sheet date, approximately 15% (2017: 16%) of the Group's trade receivables were due from 2 major customers who are located in Cambodia.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by Board of Directors. These policies, controls and limits ensure that the Group monitors and manages liquidity risk in a manner that ensures sufficient sources of funds are available over a range of market conditions.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	1 year or less \$'000	More than 1 year \$'000	Total \$'000
Group			
2018			
Financial assets:			
Other investments	–	4,637	4,637
Trade and other receivables	7,330	–	7,330
Amounts due from associates	78	17,271	17,349
Cash and short-term deposits	1,456	–	1,456
Total undiscounted financial assets	8,864	21,908	30,772
Financial liabilities:			
Trade and other payables	8,018	–	8,018
Loans and borrowings	25,858	540	26,398
Hire purchase creditors	69	190	259
Amount due to a related company	–	3,227	3,227
Total undiscounted financial liabilities	33,945	3,957	37,902
Total net undiscounted financial liabilities	(25,081)	17,951	(7,130)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

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

	1 year or less \$'000	More than 1 year \$'000	Total \$'000
Group			
2017			
Financial assets:			
Other investments	–	4,328	4,328
Trade and other receivables	6,594	–	6,594
Amounts due from associates	15,278	–	15,278
Cash and short-term deposits	2,074	–	2,074
Total undiscounted financial assets	23,946	4,328	28,274
Financial liabilities:			
Trade and other payables	12,108	–	12,108
Loans and borrowings	21,303	4,470	25,773
Hire purchase creditors	74	259	333
Amount due to a related company	–	3,819	3,819
Total undiscounted financial liabilities	33,485	8,548	42,033
Total net undiscounted financial liabilities	(9,539)	(4,220)	(13,759)
Company			
2018			
Financial assets:			
Amounts due from subsidiaries	25,151	–	25,151
Cash at banks and on hand	40	–	40
Total undiscounted financial assets	25,191	–	25,191
Financial liabilities:			
Other payables	286	–	286
Amount due to subsidiary	6,453	–	6,453
Loans and borrowings	2,370	–	2,370
Total undiscounted financial liabilities	9,109	–	9,109
Total net undiscounted financial assets	16,082	–	16,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

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

	1 year or less \$'000	More than 1 year \$'000	Total \$'000
Company			
2017			
Financial assets:			
Amounts due from subsidiaries	25,166	–	25,166
Cash at banks and on hand	42	–	42
Total undiscounted financial assets	25,208	–	25,208
Financial liabilities:			
Other payables	377	–	377
Amount due to subsidiary	6,412	–	6,412
Loans and borrowings	–	2,545	2,545
Total undiscounted financial liabilities	6,789	2,545	9,334
Total net undiscounted financial assets	18,419	(2,545)	15,874

The table below shows the contracted expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less \$'000	1 to 5 years \$'000	5 years or more \$'000	Total \$'000
2018				
Group				
Financial guarantees	3,229	3,056	27,376	33,661
Company				
Financial guarantees	25,760	3,510	27,376	56,646
2017				
Group				
Financial guarantees	2,894	2,845	26,267	32,006
Company				
Financial guarantees	23,294	4,662	26,267	54,223

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing loans and fixed deposits. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD and USD interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$147,000 and \$6,000 (2017: \$125,000 and \$25,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate interest-bearing loans and borrowings and higher/lower interest income from fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher vitality as in prior years.

(d) Foreign currency risk

The Group has transactional currency exposure arising from purchases that are denominated in a currency other than the functional currency of the group of companies.

The Group and the Company also hold cash and short-term deposits and trade receivables denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to \$460,000 (2017: \$1,362,000) for the Group. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Cambodia and Malaysia.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant.

	Group	
	Profit before tax	
	2018	2017
	\$'000	\$'000
USD		
– strengthened by 5% (2017: 5%)	+22	+103
– weakened by 5% (2017: 5%)	-22	-103

34. Fair value of assets and liabilities

(a) Fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents, trade and other receivables, amounts due from/to subsidiaries, amount due from associates, trade and other payables and accruals, and loans and borrowings

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

34. Fair value of assets and liabilities (cont'd)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Amount due to a related company

Amount due to a related company has no fixed terms of repayment and are repayable only when the cash flow of the entity permits. Accordingly, the fair value of the amount is not determinable as the timing of the future cash flow arising from the balance cannot be estimated reliably.

Investment in convertible bonds carried at cost

Fair value information has not been disclosed for the Group's investments in convertible bonds that are carried at cost because fair value cannot be measured reliably. These convertible bonds are investment that are not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future and intends to hold the investment to maturity.

Non-convertible bonds (current and non-current)

Fair value information has not been disclosed for the Group's non-convertible bonds (current and non-current) that are carried at cost because fair value cannot be measured reliably. These non-convertible bonds (current and non-current) are obtained from individuals, not quoted on any market and does not have any comparable industry peer that is listed. Accordingly, the fair value of the amount cannot be estimated reliably.

(c) Financial instruments carried at other than fair value

Hire purchase creditors

As there is no material difference between fair value and carrying amount of hire purchase creditors, management has not disclosed the fair value (Note 23).

35. Capital management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 75%. The Group includes within net debt, loans and borrowings and hire purchase creditors. Capital includes equity attributable to the owners of the Company and non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

35. Capital management (cont'd)

	Group	
	2018 \$'000	2017 \$'000
Loans and borrowings (Note 24)	25,185	24,416
Trade and other payables (Note 20 and 21)	8,037	12,131
Hire purchase creditors (Note 23)	220	283
Amount due to a related company	3,227	3,819
Less: Cash and short-term deposits	(1,456)	(2,074)
Net debt	35,213	38,575
Total equity	62,684	64,085
Capital and net debt	97,897	102,660
Gearing ratio	36.0%	37.6%

36. Segment information

(a) Business segment

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

(i) Fire fighting and protection

Supply, installation and maintenance of fire fighting and protection equipment

(ii) Power related

Power generation and distribution of controlled power supply and equipment

	Fire-fighting		Power-related		Adjustments and eliminations		Note	Per consolidated financial statements	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000		2018 \$'000	2017 \$'000
Revenue	14,992	15,434	23,065	22,573	–	–		38,057	38,007
Results:									
Other income	157	266	127	352	(40)	(81)	A	244	537
Interest income	–	1	15	9	–	–		15	10
Write back of allowance for doubtful debts, net	20	5	–	–	–	–		20	5
Depreciation of property, plant and equipment	(397)	(329)	(1,532)	(2,790)	–	–		(1,929)	(3,119)
Finance costs	(117)	(243)	(680)	(565)	–	–		(797)	(808)
Segment profit	185	506	3,144	2,871	(1,451)	(2,358)	B	1,878	1,019
Assets:									
Investment in associates	–	–	5,053	–	–	–		5,053	–
Additions to property, plant and equipment	337	417	106	5	–	–		443	422
Segment assets	30,711	28,385	88,228	93,543	(19,804)	(16,717)	C	99,855	105,211
Segment liabilities	<u>16,873</u>	<u>15,454</u>	<u>57,521</u>	<u>60,517</u>	<u>(37,226)</u>	<u>(34,845)</u>	D	<u>37,168</u>	<u>41,126</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

36. Segment information (cont'd)

(a) Business segment (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment profit to arrive at "profit before tax" in the consolidated income statement:

	2018 \$'000	2017 \$'000
Share of results of associates	(654)	(1,550)
Finance costs	(797)	(808)
	<u>(1,451)</u>	<u>(2,358)</u>

C The following items added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2018 \$'000	2017 \$'000
Inter-segment assets	(19,317)	(16,942)
Goodwill	175	175
Unallocated assets	58	50
	<u>(19,084)</u>	<u>(16,717)</u>

D The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2018 \$'000	2017 \$'000
Inter-segment liabilities	(38,016)	(35,700)
Income tax payables	455	430
Unallocated liabilities	288	378
Deferred tax liabilities	47	47
	<u>(37,226)</u>	<u>(34,845)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

36. Segment information (cont'd)

(b) Geographical information

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

	Singapore \$'000	Cambodia \$'000	Other countries \$'000	Group \$'000
2018				
Revenues	13,510	22,924	1,623	38,057
Non-current assets	<u>7,391</u>	<u>52,493</u>	<u>26,801</u>	<u>86,685</u>
2017				
Revenues	13,714	22,118	2,175	38,007
Non-current assets	<u>7,451</u>	<u>57,373</u>	<u>4,168</u>	<u>68,992</u>

Non-current assets information presented above consist of property, plant and equipment, investment in associates, amounts due from associate, goodwill and other investments.

Information about major customers

Revenue from two major customers amount to \$9,673,000 (2017: \$11,070,000), arising from sales by the power related segment.

37. Authorisation of financial statements

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 9 July 2018.

SHAREHOLDERS' INFORMATION

As at 2 July 2018

Issued and fully Paid-up Capital	:	S\$48,434,469.75
Number of Ordinary Shares in Issue (excluding treasury shares)	:	1,324,462,688
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Class of Shares	:	Ordinary
Voting Rights (on a poll)	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	77	6.00	2,359	0.00
100 - 1,000	106	8.26	82,253	0.01
1,001 - 10,000	180	14.03	949,653	0.07
10,001 - 1,000,000	819	63.84	143,849,965	10.86
1,000,001 AND ABOVE	101	7.87	1,179,578,458	89.06
TOTAL	1,283	100.00	1,324,462,688	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 2 July 2018 ⁽¹⁾)

	Name of Substantial Shareholders	Direct	%	Deemed	%
1.	Tan Boon Kheng	106,656,004	8.05	—	—
2.	Lim Boon Hock, Bernard	130,000,000	9.82	—	—
3.	Lim Chye Huat @ Bobby Lim Chye Huat	186,000,000	14.04	—	—
4.	Brian Chang Holdings (S) Pte Ltd	176,435,544	13.32	—	—
5.	Brian Chang ⁽²⁾	—	—	176,435,544	13.32
6.	Tracy Chang ⁽²⁾	—	—	176,435,544	13.32

Notes:

- (1) Based on the total issued share capital of 1,324,462,688 ordinary shares of the Company as at 2 July 2018.
- (2) Brian Chang and Tracy Chang are deemed interested in the ordinary shares of the Company held by Brian Chang Holdings (S) Pte Ltd by virtue of interest in Brian Chang Holdings (S) Pte Ltd.

SHAREHOLDERS' INFORMATION

As at 2 July 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	186,000,000	14.04
2	BRIAN CHANG HOLDINGS (S) PTE LTD	176,435,544	13.32
3	LIM BOON HOCK BERNARD	130,000,000	9.82
4	TAN BOON KHENG	106,656,004	8.05
5	TAN BOON SIANG	62,872,000	4.75
6	TAN BOON YEW	60,336,000	4.56
7	TAN AH KAN @TAN KOW LA	52,526,700	3.97
8	STEPHEN YEO MAH AI	38,420,600	2.90
9	TAN AH SOI	32,435,996	2.45
10	TNG BENG CHOON	31,600,000	2.39
11	CHUA KENG LOY	21,176,000	1.60
12	LOW CHIN YEE	13,765,000	1.04
13	PHILLIP SECURITIES PTE LTD	10,982,274	0.83
14	TAN BOON SAI (CHEN WENSAI)	10,299,000	0.78
15	DBS NOMINEES (PRIVATE) LIMITED	10,148,666	0.77
16	OCBC SECURITIES PRIVATE LIMITED	8,797,510	0.66
17	YU YAN KIT ALEX	7,834,000	0.59
18	TAN ENG CHUA EDWIN	7,830,900	0.59
19	TOH TIEW KEONG	7,827,000	0.59
20	CHONG TSU YAT	7,031,000	0.53
TOTAL		982,974,194	74.23

PUBLIC FLOAT

Based on the information available to the Company as at 2 July 2018, approximately 38.86% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalyst issued by the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asiatic Group (Holdings) Limited (the “Company”) will be held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Thursday, 26 July 2018 at 11.00 am, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Auditors’ Report thereon. **[Resolution 1]**
2. To note the retirement of the following Directors who are retiring pursuant to Regulation 103 of the Company’s Constitution:
 - a) Tan Boon Yew
 - b) Seah Hai Yang

(Note: Mr Tan Boon Yew and Mr Seah Hai Yang will not be seeking re-election and will retire as Directors of the Company on 26 July 2018 at the close of the Annual General Meeting. Upon retirement of Mr Seah Hai Yang as a Director of the Company, he will cease to be an Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.)

The profiles of the above-mentioned directors can be found under the sections entitled “Board of Directors” and “Corporate Governance Report” in the Annual Report.

3. To approve Directors’ fees of S\$85,000 for the financial year ended 31 March 2018 for payment. (FY2017: S\$85,000) **[Resolution 2]**
4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 3]**

SPECIAL BUSINESS

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

5. Authority to allot and issue shares and /or convertible securities

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and subject to the Rule 806 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), authority be and is hereby given to the Directors of the Company to issue:

- (a) shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise;
- (b) convertible securities;
- (c) additional convertibles securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalization issues; and
- (d) shares arising from the conversion of convertible securities in (b) and (c) above,

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;
- (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) and (ii) above, the percentage of the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the date this Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options issue as at the date this Resolution is passed and any subsequent consolidation or subdivision of the Company's shares; and
- (iv) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[Resolution 4]

[See Explanatory Note 1]

6. **Renewal of the Share Buyback Mandate**

That for the purposes of the Companies Act, Chapter. 50 of Singapore, and the Catalist Rules, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 4.4 of the appendix accompanying the annual report (the “**Appendix**”), in accordance with the terms of the Share Buyback Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **[Resolution 5]**

[See Explanatory Note 2]

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

By Order of the Board

Tan Sian Leong
Leong Chee Meng, Kenneth
Company Secretaries

Singapore, 11 July 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Resolution 4, if passed, will authorise and empower the Directors of the Company from the date of the above Annual General Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate one hundred per cent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time the Resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at 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.

For the purpose of this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

2. Resolution 5, 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price (as defined in paragraph 4.4 of the Appendix).

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 March 2018 are set out in greater detail in the Appendix.

Notes:

1. (a) A member who is not a relevant intermediary[#], is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").
(b) A member who is a relevant intermediary[#], is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

[#] "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or under the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 65 Joo Koon Circle, Singapore 629078 not less than forty-eight (48) hours before the time appointed for holding the Meeting.
5. A depositor shall not be regarded as a member of the Company entitled to attend and vote at the Meeting unless his name appears on the Depository Register not less than seventy-two (72) hours before the time of the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

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

ASIATIC GROUP (HOLDINGS) LIMITED

Company Registration No. 200209290R
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees.
3. 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. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____ (name)

of _____ (address)

being a *member/members of Asiatic Group (Holdings) Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to the above, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887, on Thursday, 26 July 2018 at 11.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be 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 discretion.

(If you wish to exercise all your votes "For" or "Against", please indicate with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
1	Adoption of the Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2018		
2	Approval of Directors' fees of S\$85,000 for the financial year ended 31 March 2018		
3	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
4	Authority to allot and issue new shares and/or convertible securities		
5	Renewal of the Share Buyback Mandate		

Dated this _____ day of _____ 2018

Total number of shares

Signature of Member(s) or, Common Seal
of Corporate Member

*Delete where inapplicable



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 Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 Meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointments shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
"Relevant intermediary" means:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore ("CPF Act"), in respect of shares purchased under the subsidiary legislation made under the CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation .
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting 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 Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 65 Joo Koon Circle, Singapore 629078, not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. 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 must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting to vote.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 July 2018.

Affix
postage
stamp
here

ASIATIC GROUP (HOLDINGS) LIMITED
65 JOO KOON CIRCLE
SINGAPORE 629078

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Asiatic Group

ASIATIC GROUP (HOLDINGS) LIMITED

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