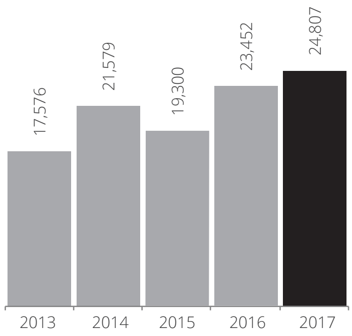
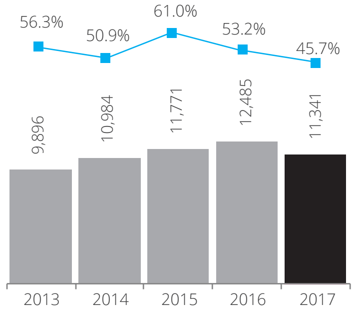
CAPTII LIMITED
ANNUAL REPORT

17

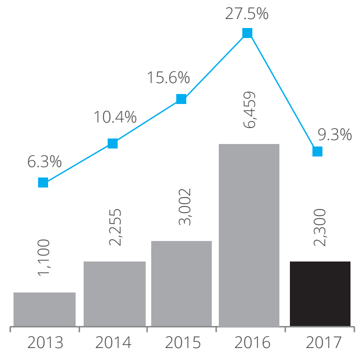
Revenue (S$000)



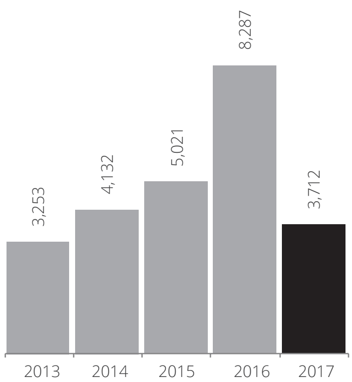
Gross Profit (S$000) &
Gross Profit Margin (%)



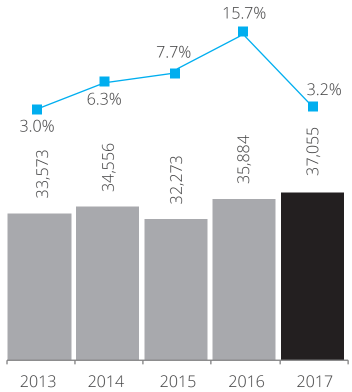
Net Profit (S$000) &
Net Profit Margin (%)



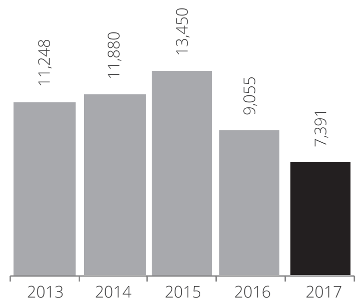
EBITDA (S$000)



Shareholders' Equity (S$000) &
Return on Equity (%)



Cash &
Cash Equivalents (S$000)

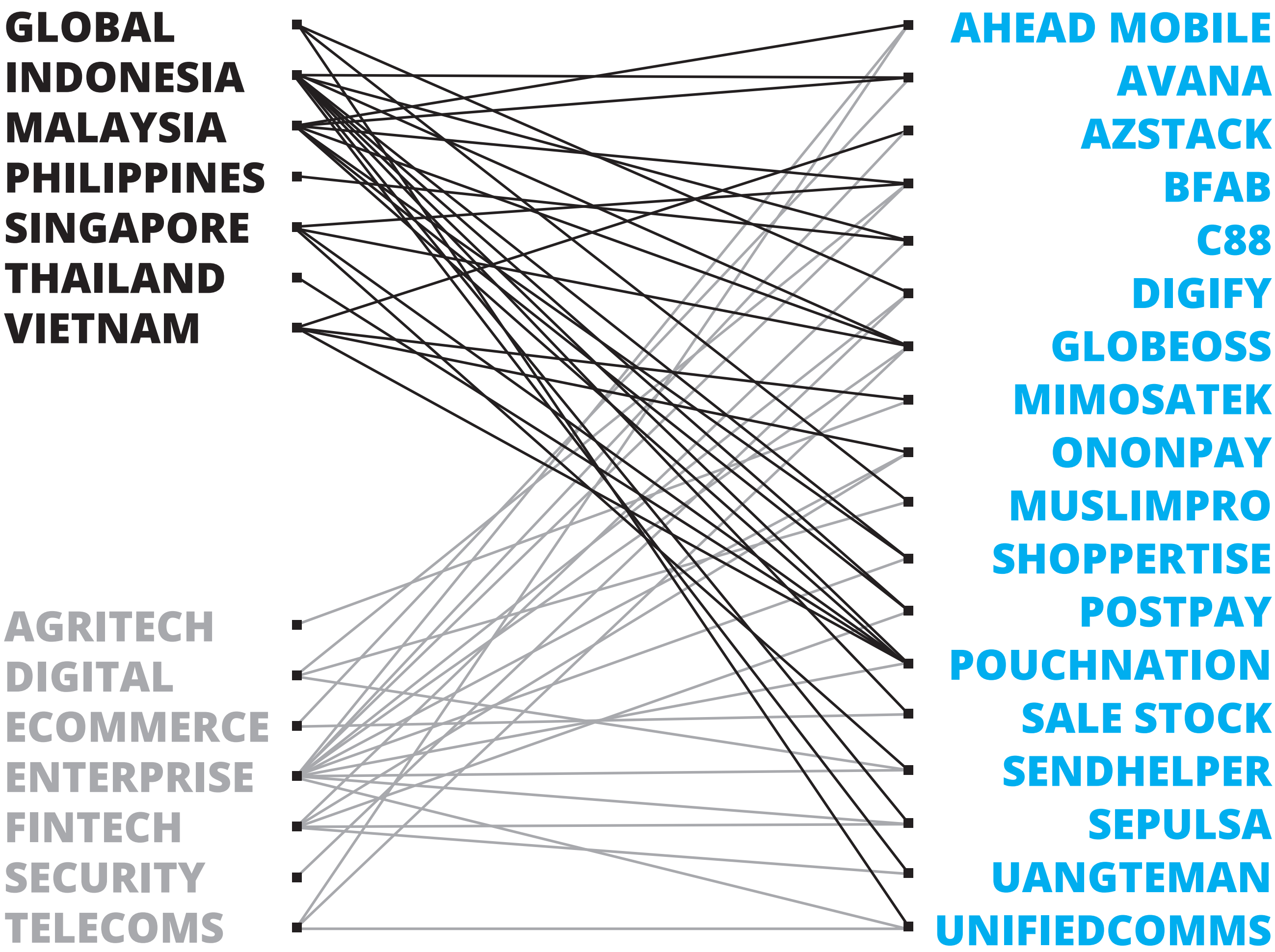


Consolidated Income Statement Data
(In S$'000 except per-share amounts)

Years ended 31 Dec	2013	2014	2015	2016	**2017**
Revenue	17,576	21,579	19,300	23,452	**24,807**
Gross profit	9,896	10,984	11,771	12,485	**11,341**
Total operating expenses	9,524	9,003	8,390	8,320	**8,733**
EBITDA	3,253	4,132	5,021	8,287	**3,712**
Profit before income tax	1,701	2,888	3,914	7,409	**2,814**
Net profit	1,100	2,255	3,002	6,459	**2,300**
Basic earnings per share (cents)	3.19	6.76	8.05	16.69	**3.65**

Consolidated Balance Sheet Data
(In S$'000 except per-share amounts)

Years ended 31 Dec	2013	2014	2015	2016	**2017**
Total assets	40,243	41,773	38,203	49,849	**54,049**
Working capital	14,424	16,209	15,668	15,706	**14,279**
Cash and cash equivalents	11,248	11,880	13,450	9,055	**7,391**
Shareholders' equity	33,573	34,556	32,273	35,884	**37,055**
Net asset value per ordinary share (cents)	105.06	108.13	100.99	112.29	**115.95**



Captii invests in technology and innovation. In 2017 we invested in 4 new start-ups from Singapore and Indonesia, bringing our investees in the venture investment portfolio to a total of 14 companies from 6 countries. Some of our investees are global enterprises with customers from all over the world. A number are regional players in South East Asia and the rest firmly focused on winning in their large home markets of Indonesia, the Philippines and Vietnam.

Our venture investment portfolio has grown significantly from when we first started out in 2015. By the end of 2017 our portfolio was fair-valued at S$9.3 million versus investment cost of S$6.7 million. The companies we have invested in are engaged in a variety of businesses but the portfolio has a strong bias towards fintech and B2B ventures. More than three-quarters of our investees are fintech or enterprise-application start-ups.

One fintech start-up in the portfolio is entirely home-grown. PostPay (formerly known as Mobilization) evolved from our Unifiedcomms business over the past 3 years. This business has shown promising growth in terms of revenue and also technology. We are hopeful that it is the first of many home-grown start-ups to develop from within our group. Growth at PostPay this year has complemented the continued advance of GlobeOSS in the telco big data and analytics field. GlobeOSS now counts all of the telcos in Malaysia as customers and further grew its market share in 2017. It is now one of the most prominent telecoms-focused solution providers and systems integrators in the industry. Unifiedcomms including our Ahead Mobile business, however, did not see growth in its underlying business. For this business, 2017 developed into a year of consolidation for the market for their products and services. Much effort was invested in enhancing the application and platform product portfolio as well as in bolstering technical capabilities and capacity to address an increasingly more internet driven landscape for telecoms service providers.

Contents

Dear Captii Shareholder:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Captii Limited for the financial year ended 31 December 2017.

A year of contrasts

Our Group entered 2017 on a strong footing having delivered nine consecutive years of profits.

Our GlobeOSS business generated higher revenue this year while our Unifiedcomms business unfortunately did not. GlobeOSS posted revenue of S$13.1 million, an increase of 19.2% from the S$11.0 million recorded in 2016. Unifiedcomms revenue in contrast declined by 4.5% to S$11.7 million in 2017 compared to the S$12.3 million achieved the year before.

The higher revenue delivered by GlobeOSS – which more than offset the decline in Unifiedcomms revenue performance – was the main driver for the S$1.4 million improvement in overall Group revenue for the year to S$24.8 million.

Gross profit recorded was lower this year and in spite of the 5.8% increase in Group revenue, Group gross profit declined by 9.2%. This reflected the considerably lower average gross profit margin for the year of 45.7%, which resulted from the less favourable sales mix for 2017. This year the lower margin system sale contract revenues of GlobeOSS comprised a much greater proportion of our Group revenue.

Group profit before tax came in at S$2.8 million for the year, 62% lower compared to the S$7.4 million recorded for 2016. Although our Group bottom line benefitted from the better performance of GlobeOSS this year, the absence of a significant fair value gain on the Captii Ventures investment portfolio that was enjoyed in 2016 had resulted in a much lower profit before tax for our Group for 2017. In the last quarter of 2017, each of our venture investments was appraised and in this process, several were fair-valued with a different valuation model that was assessed as being more appropriate under the circumstances than what was employed in previous periods. This resulted in some investments having lower computed fair values even as compared to what was recorded at the end of the third quarter of 2017.

Our overall bottom-line for the year was positive at S$2.3 million, but 64.4% lower than the S$6.5 million recorded last year. This significant decline in bottom line performance was largely due to the flow down effect of lower gross profit margin realised as well as the absence of any fair value gain on the venture investment portfolio in 2017.

Our 10th consecutive year of profit but lower ROE

2017 represented our tenth consecutive year of profitability. However as a result of the decline in bottom-line performance, Our Group's return on equity (ROE) was reduced to 3.2% this year from 15.7% the year before.

Flat system sale contract revenues and improved managed service contract performance this year

Efforts to grow the managed service business persisted in 2017 and the results are encouraging. Revenues from this contract type improved by S$1.0 million against last year with the increase being attributable to the higher managed service contract revenues at both GlobeOSS and Unifiedcomms. The revitalised unit within Unifiedcomms business now called PostPay (formerly Mobilization) that focuses on amongst others, prepaid credit solutions on a managed service model, achieved significant growth this year. PostPay revenues grew sufficiently in 2017 to countervail any decline or slow growth in the other managed service contracts in the Unifiedcomms portfolio.

Group system sale contract revenues was relatively flat for 2017. System sale revenue at Unifiedcomms continued to decline this year to about half the revenue achieved in 2016. GlobeOSS in contrast, saw system sale contract revenues further improve in 2017, especially in the latter part of the year. The strong performance of GlobeOSS in delivering system sale contract revenue growth was had more than offset this underperformance at Unifiedcomms system sale business.

Investing in technology and innovation

At the start of 2017, we continued to have adequate cash balances to continue with the strategy of augmenting organic growth with growth by strategic investment. The Captii Ventures team identified and screened many candidates for investment throughout 2017 and completed four further investments in both early and late stage start-ups to bring the number of investees in the portfolio to fourteen in total. The work to identify, screen and engage on further investment opportunities will persist in the new year.

Balance sheet strength and dividends

Apart from the further investments made by Captii Ventures in 2017, during the year we continued to reinvest at GlobeOSS and Unifiedcomms businesses – especially for the PostPay business – for further product development as well for the acquisition of assets to support the fulfilment of managed service contracts. We continued to have a strong balance sheet at year-end 2017 with zero borrowings and ample cash and cash equivalents of S$7.4 million. This was also after declaring and paying to shareholders a dividend for the eighth year running. We had on 12 September 2017, paid a tax-exempt interim dividend of 2.5 Singapore Cents per share, in-line with the dividend per share paid in 2016. In light of the anticipated capital requirements of our Group's growth and investment-driven development strategy, no further and final dividend payment has been recommended by our Directors for the financial year ended 31 December 2017.

In gratitude

2017 proved to be a broadly positive year for our Group. We ended the year with improved revenue and operating profit results courtesy of a strong year at GlobeOSS and the early results of the PostPay business at Unifiedcomms. Unfortunately, the venture investment activities at Captii Ventures did not yield any realised or fair value gain this year to contribute to our overall Group bottom line.

We look forward to doing better in the year ahead and will strive to deliver an improvement in Group financial performance for 2018.

For the year that was, I extend my deepest gratitude to the talented and dedicated individuals across all the businesses that make up our Group, for your commitment and perseverance. I ask the same from you again in the new financial year ahead, to move our business onward and upward. To you, our shareholder, I thank you for your continued belief and patience in our people and our business. Last but certainly not least, my thanks go to the government agencies and regulatory bodies for their guidance and support.

Wong Tze Leng
Executive Chairman

21 March 2018

An overview of our business

Our Group comprises three main segments: Unifiedcomms, GlobeOSS and Captii Ventures.

Throughout 2017, our Unifiedcomms business continued to address mobile network operators and integrated telecoms service providers with application and platform software, turnkey solutions and systems and a variety of professional and managed services. In 2016 a unit within Unifiedcomms called PostPay (formerly Mobilization) was revitalised into a fresh start-up and given prominence as part of a wider reorganisation of the Unifiedcomms business. PostPay now focuses mainly on providing advanced solutions for prepaid credit on a managed service model.

GlobeOSS meanwhile, continued to grow from strength to strength into Malaysia's leading systems integration and solution provider in the telecoms big data and analytics field.

Unifiedcomms operates primarily in the telecoms-tech markets of three regions: South East Asia (SEA), South Asia (SA) and the Middle East and Africa (MEA) while GlobeOSS focuses exclusively on SEA. For Unifiedcomms, with the exception of Malaysia, Singapore and Pakistan, where engagement with the customer is conducted directly by our own personnel, the majority of our engagements with customers are carried out through various sales channel partners. This two-tier sales and distribution approach enables us to cost-effectively reach customers within each region of focus and to tap into the local knowledge and insights of our partners to build and deliver compelling solutions.

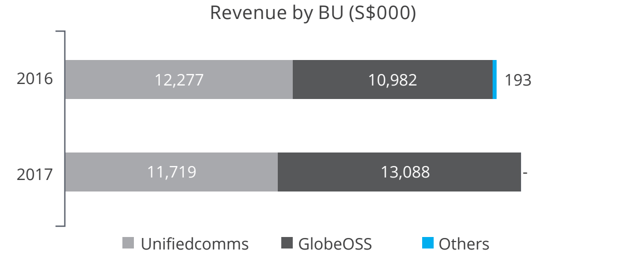
Captii Ventures, the venture investment arm of our Group, focuses primarily on the SEA market for start-up investment opportunities. Our venture investment business regularly interacts with other venture capital (VC) management companies in the region and participates in funding rounds as either lead investor or as a co- investor following the lead investor. In 2017 Captii Ventures added four new investees to its portfolio of start-up investments while also supporting the ten existing investees from 2016 in realising the development plans for their business.

As at end-2017, there are a total of 168 people that are employed in our businesses. The majority of these personnel are located in Malaysia, where our operational headquarters is situated, while the rest work out of Singapore, Pakistan, Indonesia and Vietnam.

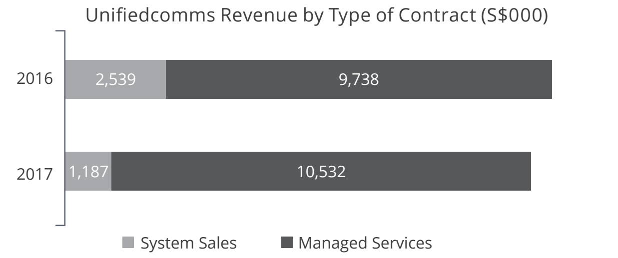
Generally a positive year for Group revenue, but mixed for business segments

The 2017 financial was a positive year for our business in terms of Group revenue growth but a mixed one when we examine the performance of each of our business segments. The Group achieved consolidated revenue of S$24.8 million for the financial year 2017, an increase of 5.8% as compared to the S$23.5 million recorded in the previous year. Only one of our business segments however, showed an increase in their 2017 revenues.

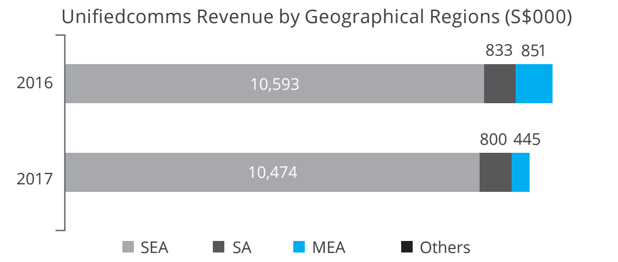
GlobeOSS posted revenue of S$13.1 million in 2017, an increase of 19.2% from the S$11.0 million recorded in 2016. Unifiedcomms recorded a 4.5% decline in sales, turning in total revenue of S$11.7 million in 2017 versus S$12.3 million the year before.



Lower revenue at Unifiedcomms was caused by revenue from system sale contracts declining sharply to S$1.2million in 2017 from S$2.5 million in 2016. Unifiedcomms managed service revenues improved from S$9.7 million to S$10.5 million but the growth achieved was not enough to offset the sharp decline in system sale revenues. The PostPay (formerly Mobilization) unit within the Unifiedcomms business that focuses on amongst others, advanced prepaid credit solutions on a managed service model continued to show very good progress in 2017 and achieved significant growth. The growth achieved was unfortunately not sufficiently large to countervail the slow growth or decline in other managed service contracts.

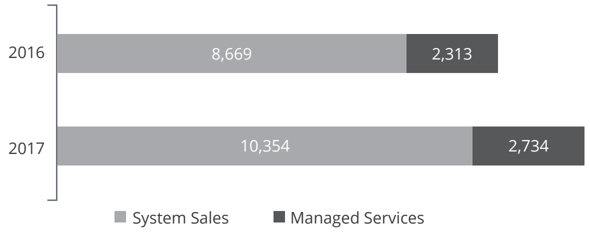


The Unifiedcomms customer base has traditionally been concentrated in the SEA region. This has not changed in 2017, with Unifiedcomms SEA region revenues accounting for 89.4% of the total revenue achieved for the year.



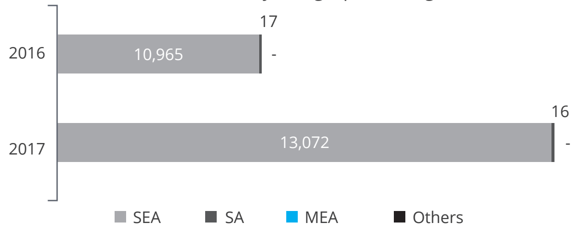
GlobeOSS delivered an improvement in both system sale and managed service contract revenues in 2017. System sales increased significantly by 19.4%, from S$8.7 million in 2016 to S$10.4 million in 2017, while managed service revenue increased by 18.2%, from S$2.3 million in 2016 to S$2.7 million in 2017.

GlobeOSS Revenue by Type of Contract (S$000)



GlobeOSS continues to also have both its system sale and managed service business concentrated in the SEA region. The S$2.1 million increase in revenue from the SEA region is driven by the S$1.7 million increase in system sales and a S$0.4 million improvement in managed service revenues between 2016 and 2017.

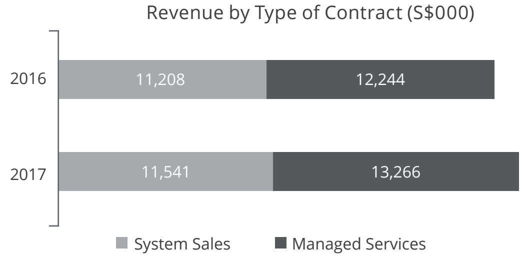
GlobeOSS Revenue by Geographical Regions (S$000)



Growth in both system sale and managed service revenues

The increase in Group revenue this year against last year was mainly attributable to the 19.4% or S$1.7 million increase in GlobeOSS system sale contract revenues, which had more than offset the decline in Unifiedcomms system sale contract revenues.

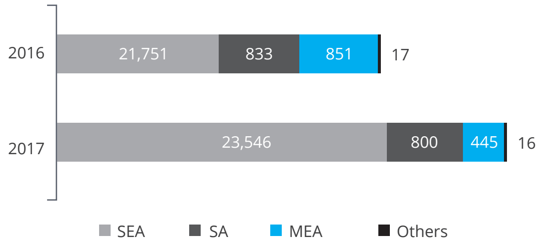
Revenue by Type of Contract (S$000)



We expected 2017 to be a challenging year for Unifiedcomms and GlobeOSS on the system sale front. However contrary to earlier expectations, market conditions improved in the second half of the year for the GlobeOSS business. Coupled with improved success rates for sale opportunities, significant growth in GlobeOSS system sale contract revenues was delivered in the second half of the year. Our Unifiedcomms business did not fare as well and recorded a sharp decline in system sale revenues.

SEA once again served as the principal driver for the improvement in Group revenue for the year, growing by 8.3% or S$1.8 million against last year's contribution. The region that turned in a disappointing performance was MEA, which had its contribution fall from S$0.9 million to S$0.4 million. The SA region's contribution to the total Group revenue maintained at S$0.8 million this year.

Revenue by Geographical Regions (S$000)



In 2017, SEA, our Group's home region, continues to be the largest geographic source of revenue, accounting for 94.9% of Group revenue.

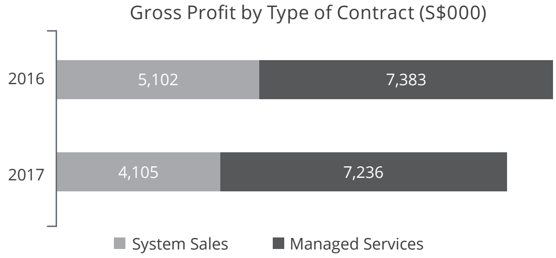
Lower gross profit, in contrast with higher revenue achieved

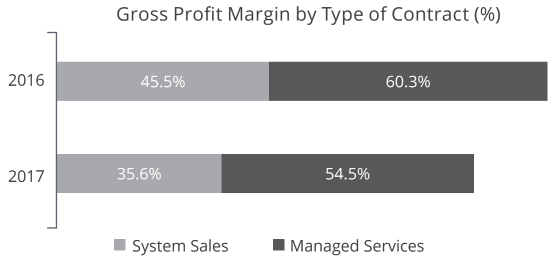
In spite of the higher consolidated revenue of S$24.8 million for 2017, representing a 5.8% gain on 2016 revenue, absolute gross profit achieved for the year was lower compared to 2016.

Group gross profit for 2017 was S$11.3 million, down by S$1.1 million or 9.2% against what was recorded in 2016. Gross profit grew slower than revenue due to the sales mix achieved in 2017 – where the typically lower gross profit margin GlobeOSS system sale contract revenues accounted for the majority of the improvement in Group revenue. This, by extension, acted to reduce the overall gross profit margin earned on Group consolidated revenue to 45.7% as compared to 53.2% achieved the year before.

System sale contract average gross profit margin declined markedly to 35.6% in 2017, primarily due to the higher contribution of GlobeOSS to system sale contract revenues of the Group as compared to 2016. Gross profit margin earned on managed service contract revenues was relatively flat, showing only a gentler decline from 60.3% in 2016 to 54.5% this year. This decrease was mainly attributable to higher third-party costs on certain managed service contracts, coupled with the relatively lower revenue contribution of certain mature, higher-margin managed service contracts.

Gross Profit by Type of Contract (S$000)





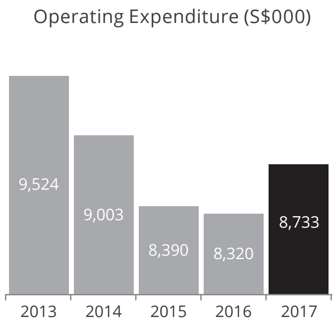
Although system sale contract revenues grew this year, the sales mix of our Group continues to meet our target of having greater than fifty percent of Group revenue being derived from managed service contracts. This year managed service contract revenues accounted for 53.5% of Group revenue, up from 52.2% in 2016.

Higher total opex this year, before and after exceptional items

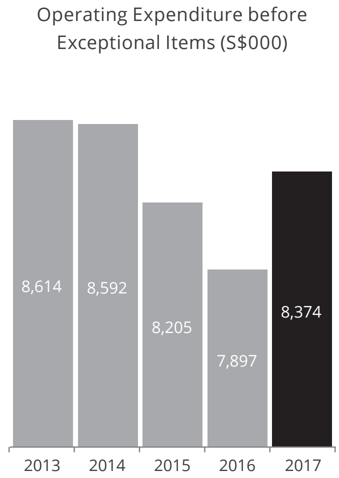
Our Group's operating expenditure for the year increased to S$8.7 million as compared to S$8.3 million in 2016.

In 2016, we had a foreign exchange loss due to the strengthening of the US Dollar against the Malaysia Ringgit and impairment losses on certain plant and equipment, investment property and intellectual property assets to take into our income statement.

This year we had a fair value loss assessed on venture investment portfolio and a higher foreign exchange loss as a result of unfavourable exchange rate movement of US Dollar, Malaysia Ringgit and Pakistan Rupee against the Singapore Dollar. The fair value loss, which is unrealised, is a result of lower estimated fair valuation of the venture investment portfolio following the adoption of the most appropriate valuation techniques.



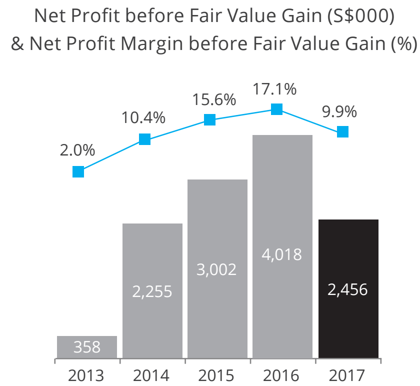
Excluding the effect of exceptional items such as the impairment loss this year, our opex for 2017 was S$0.5 million lower at S$8.4 million compared to S$7.9 million for 2016. This increase was due to the higher foreign exchange loss recorded in 2017.



Reduced bottom line, both organic and from investments

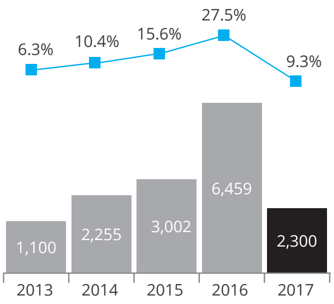
2017 marks our tenth consecutive year of being in the black. Group net profit for the year, at S$2.3 million, is 64.4% lower than the S$6.5 million recorded in 2016. This substantial decrease in our Group's bottom line reflects the absence of any fair value gain on investment that we enjoyed in 2016 on the revaluation of the Captii Ventures investment portfolio. In 2016 this fair value gain amounted to S$2.4 million.

When the bottom line numbers are examined more closely, to exclude exceptional gains such as the fair value gains enjoyed on the acquisition of Ahead Mobile across 2012 and 2013 and in the revaluation of the Captii Ventures investment portfolio in 2016 and 2017, the profit performance of the Unifiedcomms and GlobeOSS business is made more apparent. The 'adjusted' net profit generated by these two businesses declined by almost half, from S$4.0 million in 2016 to S$2.5 million this year.



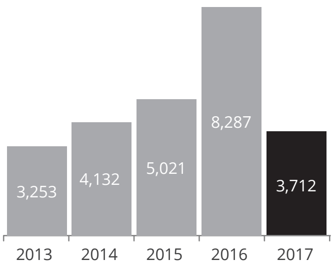
In terms of bottom line margins, our Group recorded a net profit margin of 9.3% for 2017 versus 27.5% for 2016. If the effect of any fair value gain or loss is removed, our Group net profit margin for 2017 would increase to 9.9% while our 2016 results would reduce to 17.1%.

Profit for the Year (S$000)
& Net Profit Margin (%)



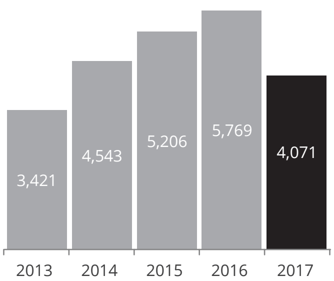
The flow-down effect of the improvement in Group net profit before and after exceptional items and fair value movements is very clearly reflected in our EBITDA results for the year.

EBITDA (S$000)



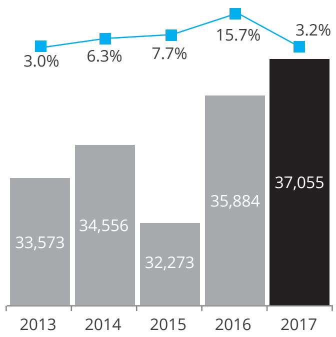
EBITDA dropped to S$3.7 million in 2017, a decrease of 55.2%, in tandem with the 64.4% decrease in net profit. A significant proportion of this EBITDA decrease is accounted for by the absence of any fair value gain on the Captii Ventures investment portfolio this year, as explained earlier. Removing the effect of this significant non-cash item in 2016, and also excluding exceptional items for the year, a clearer picture of the cash generation performance at our underlying business can be obtained. EBITDA before exceptional items and fair value gain stood at S$4.1 million for 2017 – still strongly positive but a 29.4% decrease against what was achieved in 2016.

EBITDA before Exceptional Items
& Fair Value Effect (S$000)



Because of the lower net profit delivered in 2017, our Group's return on equity (ROE) for the year dropped sharply to 3.2% from the 15.7% achieved in 2016. This single-digit outcome for 2017 was certainly an unwelcome one after an encouraging 2016. Of course the positive outcome of 2016 was aided by the outsized contribution from the fair value gain on the the venture investment portfolio that year. Without the benefit of this gain from our venture investment portfolio we certainly would have had a much lower ROE for 2016.

Shareholders Equity (S$000)
& Return on Equity (%)



This year the contribution of system sale contracts was considerably higher, arising from significant growth in revenue performance of GlobeOSS. Managed service contracts showed steady revenue growth across both businesses. With the performance of our businesses being maintained if not improved further in 2018, we are optimistic of our being able to also further extend our dividend payout track record – to at minimum, maintain the dividend per share that was paid to all shareholders last year.

Investing in (external) technology and innovation

As at end-2017, we continued to have more than sufficient capital to augment our organic growth plans with growth by strategic investment. This remains an essential element of our current business plan that targets sustained, double-digit Group profit growth and a significant uplift of our ROE performance.

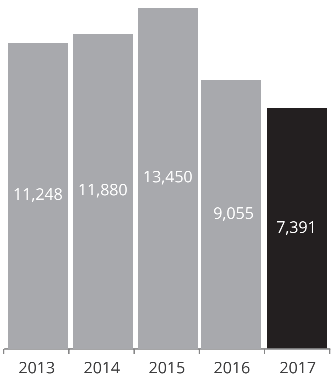
Throughout 2017, our venture investment business persisted in identifying and evaluating many investment opportunities in the SEA region. As a direct result of these efforts by the Captii Ventures team, as at end-2017, we have a total of fourteen investments in new technology ventures and start-ups. Out of these fourteen investments, four were made during the year.

Reviewing our 2017 balance sheet positions

Now to turn to our Group's balance sheet as at the end of the 2017 financial year: we ended 2017 with higher current assets of S$27.8 million, as compared to S$26.8 million as at end-2016. This was mainly attributable to the increase in trade and other receivables from S$17.3 million to S$20.1 million as a result of higher revenue achieved by the Group in respect of major system sales contracts that were awarded to and billed by the GlobeOSS business late in 2017. This, together with the rise of other financial assets (classified under non-current assets) namely S$2.8 million in cash being been utilised during the year on investments by Captii Ventures, gave rise to the decrease of the cash and cash equivalents at year-end.

Owing to the increase in year-end receivables and the capital deployed for venture investments, Group cash and cash equivalents as at end-2017 was S$7.4 million as compared to S$9.1 million as at end-2016.

Cash and Cash Equivalents (S$000)



Our total non-current assets increased from S$23.1 million as at 31 December 2016 to S$26.2 million as at 31 December 2017. This increase was mainly due to the increase in investments by Captii Ventures which are classified as other financial assets. This increase was however partly offset by the non-cash fair value loss assessed on the venture investment portfolio as at end-2017, as well as on-going depreciation charges on plant and equipment.

Total liabilities of our Group as at 31 December 2017 increased from S$11.6 million to S$13.8 million. This increase was mainly due to the higher cost of sales incurred related to the system sale awarded in late 2017 by the Group in 2017. In terms of debt, we continued to be debt free at the close of the 2017 financial year.

Reviewing movements in Group cash

Our Group's net cash flows generated from operations for 2017 was S$3.8 million, an increase of 248.8% as compared to the net cash flows generated from operations of S$1.1 million in the previous year. This significant increase was mainly attributable to lower working capital incurred of S$0.2 million for 2017, as compared to S$4.7 million for 2016. The lower working capital incurred this year was mainly contributed by higher collection related to trade receivables from late 2016.

Our Group's net cash used in investing activities for 2017 amounted to S$3.8 million, an increase of 11.1% as compared to the S$3.4 million invested in the previous year. The higher net cash used in investing activities this year is attributable to the higher investment cost made in the plant and equipment invested for new managed service contracts.

2017: a mixed year overall and disappointing for some

We expected system sale market conditions to continue to be somewhat challenging for our Group in 2017 and for our managed service contract portfolio to deliver significant growth. This proved not to be the case this year yet again as GlobeOSS managed to secured a substantial increase in system sale contract revenues and steady growth in managed service contract revenues in spite of the competitive operating environment. Several hard-fought and won system sale contract opportunities during the year resulted in the significant revenue growth achieved by this business segment this year yet again. However, this improvement in revenue performance came at the expense of thinning margins. Unifiedcomms meanwhile managed to return managed service contract revenues to 2015 levels after a decline in 2016, courtesy largely of the outperformance of the PostPay business. This outperformance at PostPay had more than offset to the underperformance of certain other managed service contracts within Unifiedcomms.

Although the growth in system sale business of GlobeOSS in 2017 had significantly augmented the slower than desired growth of our Group's managed service contract portfolio, uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to our Group's future results. The need for our Group to continue to strengthen our managed service contract portfolio and to continue to grow our venture investment portfolio as the basis for delivering steady, if not rapid yet sustainable future growth, remains.

Challenges and opportunities in 2018 and beyond

Apart from the contribution of existing long-standing managed service contracts, the bulk of the system sale revenues that are expected to be realised by our businesses in 2018 are expected to be driven by new solution implementation for new and existing customers, as well as solution enhancement, system upgrade and system capacity expansion activities of existing customers within the SEA and MEA region. The SEA and SA regions are meanwhile expected to drive managed service contract revenue growth.

Our Group's managed service contract portfolio continues to have emphasis in our Group's 2018 business plan. Group and business-segment level management will continue to work on means to better manage execution risk in respect of our strategies and tactics to grow. This includes maintaining if not growing the more mature managed service contracts in our portfolio and to more quickly translate secured contracts into substantial sources of recurrent revenue for our Group.

The growing interest and opportunity in internet-driven application services for enterprises, fintech as well as internet and handset-app delivered digital media will guide our Group's venture investment activities.

The Group's venture investment plan in the year ahead will continue to focus primarily on these growth businesses in the SEA region and will complement the organic growth strategy in place for our Unifiedcomms and GlobeOSS businesses.

SUSTAINABILITY REPORT

The Board of Directors and management of Captii Limited ("the Group") are pleased to present its first sustainability report.

The Group employs principles and adopts various practices that support corporate sustainability. Our sustainability initiatives are intended to promote long term value creation through sustainable efforts in environmental, social, governance and economic matters.

ENVIRONMENTAL

We recognise the importance of good environmental management and preservation practices which will result in the least disruption to the environment for a better and sustainable future. In our daily operations, the Group continues to be committed to recycling, energy-saving practices and undertaking measures to reduce wastage, pollution and harmful emissions.

Sustainable Management Practices

Our Group is mindful of the environmental impact of our business operations associated with greenhouse gas emissions, excessive use of energy and water and in the disposal of waste materials which could have a major impact to the eco-system and that would eventually if not imminently affect the Group directly and indirectly.

The Group made progress during the year to reduce energy and water consumption at our office facilities and to improve reuse and recycle rates for plastic and paper materials. Given that our businesses have operations that are concentrated in offices; the impact on the environment is relatively limited and confined largely to resource and energy efficiency. In this respect, we are committed to ensure that the designs of our offices are as energy efficient as possible and that active cooling solutions that are environmentally less friendly, especially chemical-refrigerant air-conditioning systems, are minimised in their use to the greatest extent possible. Where possible the Group has promoted the use of more energy-efficient ceiling and desktop fans and heat shielding materials in offices to manage workplace ambient temperatures.

The Group continues to encourage our staff to be environmentally-conscious by promoting paperless administration and operational practices to reduce paper usage and to be constantly mindful of minimising energy and water wastage. This includes office practices such as making double-sided copies when printing and photocopying, whenever possible, using the blank side of used paper for notes before recycling, reusing envelopes for internal mails and documents, switching off lights, IT equipment and other electrical devices during lunch hour or when not in use, and maintaining only security lighting after business hours.

SOCIAL

One of our values is to honour our social obligations and contribute to the economic and social wellbeing of every community in which we operate. We also believe in the importance of providing opportunities especially to the younger generation, for the improvement of the local communities where our operations are located.

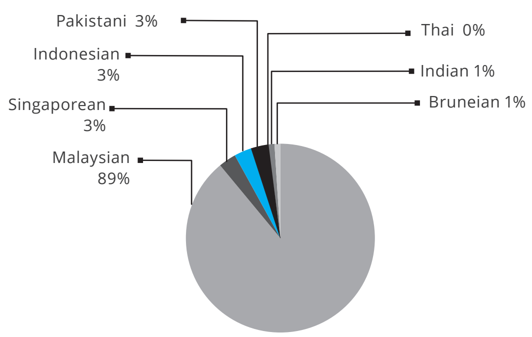
Sustainable Labour Practices

In order to maintain a sustainable organisation, the Group acknowledges the importance of developing talent and adopting sustainable labour practices. This includes having sufficient attention on occupational health and safety, non-discrimination and having effective communication between management and employees. It is crucial to have an effective communication between management and employees, so that employees are more engaged with the organisation and have a sustained positive attitude towards their work, our clients and our business partners.

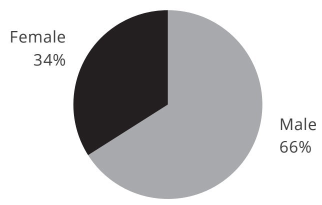
The Group believes in respecting and valuing diversity in cultures, religion and gender of our people and of all our stakeholders. Diversity and non-discrimination practices are believed to be necessary to engender the productivity, open-mindedness and creativity that we require to drive the growth and sustainability of our businesses.

As of 31 December 2017, our total staff strength stands at 168 and the workforce statistics in terms of nationality, gender and age are illustrated below:-

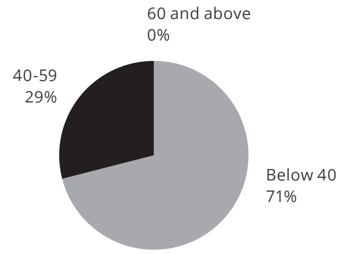
Workforce by Nationality



Workforce by Gender



Workforce by Age



SUSTAINABILITY REPORT

The Group believes that a positive and welcoming workplace which fosters continuous learning and rewards teamwork as well as personal achievement is critical in maintaining a happy and fulfilled workforce. A happy and fulfilled workforce that is cohesive is believed to significantly improve the sustainability of our business. To create such an environment, the Group continues to organise various activities throughout the year to ensure that there are abundant opportunities for team learning and cohesiveness. Some of the activities carried out during the year are weekly Friday afternoon gatherings, lunches to celebrate festive occasions together, and annual team excursions where team building activities are carried out and long serving employees are recognised and awarded for their contributions.

Furthermore, the Group practices an open door policy. Employees are encouraged to speak and report any grievances they may have to their direct superior or the head of department, human resource department, chief executive office and/or independent directors of the Company. This is to reinforce our commitment to our employees to provide them with a workplace that is safe, secure and welcomes feedback from all employees.

Training and Professional Development

The Group firmly believes that talent and sufficient human capital is crucial to the success of our business. We therefore believe in nurturing talent and in investing in the leaders of tomorrow. This value is deep-rooted within the organisation and the Group has continuously encouraged and sponsored the participation of our employees in various internal and external learning programmes as well as training courses relevant to their work and their personal ambitions. This is to aid them in developing the skills, behaviours and competencies necessary to be the best that they can be so that our business can perform as best it can for customers and stakeholders.

Health and Safety

The Group strives to create a safe working environment and actively promotes healthy work practices for all our employees. Various programmes are carried out to promote collective responsibility amongst staff and training courses are provided to ensure continuous improvement of safety and health practices. The wellbeing of our staff is critical to the Group. Given that a healthy workforce is a productive workforce, we continuously emphasises the importance of leading healthy lifestyle physical activities to all our employees. To this end, the Group sponsors access to team sports facilities on a weekly basis and encourages all its employees to undergo annual medical check-ups especially for those above the age of 40.

GOVERNANCE

Corporate Governance

The Group upholds a high standard of corporate governance to protect the interests of shareholders and promoting the confidence of investors. The Group subscribes to the recommendations of the Code of Corporate Governance 2012 as a framework to provide accountability among the Board, management and employees.

Whistleblowing Policy

The Group has implemented a whistleblowing policy to provide an avenue for any employee to raise concerns on any possible misconduct or malpractice within the Group. All information received will be treated as confidential in order to protect the identity of the whistleblower. Details of the whistleblowing policies and procedures have been made available to all employees of the Group once they have joined the organisation. Reports can be submitted to any of the Audit and Whistleblowing Committee for relevant actions to be taken, namely investigations and follow-up interviews. This is to ensure independent investigations are conducted and the identity of the whistleblower protected.

ECONOMIC

The Group aims for productive partnerships and fairness in all its business dealings.

Stakeholders

In developing a sustainable healthy relationship with our stakeholders, the Group recognises the importance of effective stakeholders' engagement.

The Group ensures that material information is disseminated in a timely manner and simultaneously released to the market via our website to maintain the transparency and accountability to our shareholders. Corporate information and key information on products and services are also regularly updated and posted in our website.

The Group recognises the importance of and devotes considerable attention to cultivating sound business ethics and values via code of conduct/policy in relation to dishonesty, corruption or unethical behaviour, good corporate governance and stakeholder engagement such as collaboration with customers, government surveys, and regularly scheduled meetings with customers, suppliers, regulators and employees. Regular reviews on policies and procedures, internal control system, risk management framework, training and development programmes, process improvements and quality assurance assessments are conducted.

Manpower Planning

One of the Group's major challenges is the recruitment and retention of talent. We strongly believe that local hiring, training and retraining is important and that doing so will not only benefit the Group but will also contribute to the economic development of the local communities in which the Group operates.

The Group systematically invests in the recruitment, development and retention of human capital. In the countries in which we operate, the Group serves as a significant contributor to the development of local human capital in specific areas of technology, particularly in progressing raw talent from tertiary institutions to technology professionals capable of performing in the global environment. The Group's many alumni have gone on to be senior executives or technical leaders in global multinationals. We view the commitment and investment made by businesses towards recruiting and

SUSTAINABILITY REPORT

developing raw engineering talent in particular as not only a key to their future growth and survival, but also as an ongoing positive contribution in enhancing the human capital base of the geographical areas in which we operate in.

Customers

We believe the Group's long term sustainable business is built on the trust and confidence from customers. Feedback from customers including complaints are documented for future improvement and development of products and services.

CORPORATE INFORMATION

Board of Directors:	Wong Tze Leng	(Group Executive Chairman)
	Anton Syazi Ahmad Sebi	(Group Executive Director)
	Phuah Peng Hock	(Lead Independent Director)
	Chuah Seong Phaik	(Independent Director)
	Lee Su Nie	(Non-Independent Non-Executive Director)

Company secretaries: Toon Choi Fan, ACIS
Ang Siew Koon, ACIS

Registered office: 140 Paya Lebar Road
#10-14 AZ @ Paya Lebar
Singapore 409015

Share registrar: Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditors: RSM Chio Lim LLP
8 Wilkie Road
#03-08, Wilkie Edge
Singapore 228095

Bankers: DBS Bank Ltd
HSBC Bank Malaysia Berhad

BOARD OF DIRECTORS

Wong Tze Leng
Group Executive Chairman

Wong Tze Leng was appointed Executive Chairman of the Company and the Group on 10 August 2010. Tze Leng previously served as Group Chief Executive Officer, a position he held from 22 December 2002 until his appointment as Executive Chairman. Tze Leng was last re-elected to the Board on 28 April 2016 and has over 20 years' experience in the information technology industry, with specific expertise in the telecommunications sector. He started his career in 1988 as an Engineer in the Singapore Institute of Standards & Industrial Research's design and development centre. He gained specialised expertise in computer telephony technology when he joined Federal Computer Services Pte Ltd in 1990 as a Software Engineer and later progressed to the position of Software Manager.

In 1993, he joined Dialogic as an Applications Engineer and was later promoted to the position of Business Development Director for the Asia Pacific region. During his career with Dialogic, he established a close rapport and working relationship with numerous IT companies and telcos in the Asia Pacific region. In 1998, he left Dialogic and founded the Group. Tze Leng graduated from Monash University, Victoria, Australia, with a Bachelors degree in Computer Science in 1985 and subsequently obtained a Bachelors degree in Electrical and Electronic Engineering in 1987 from the same university.

Anton Syazi Ahmad Sebi
Group Executive Director

Anton Syazi Ahmad Sebi was re-designated as Executive Director of the Company and the Group on 1 September 2017. Anton served as Group Chief Executive Officer from 10 August 2010 to the date of his re-designation and was Group Deputy Chief Executive Officer from December 2005 to 9 August 2010. He was first appointed to the Board on 22 June 2006 and was last re-elected on 28 April 2016.

Anton was appointed Executive Deputy Chairman of Advance Synergy Berhad, the Group's ultimate holding company and a main board listed company on Bursa Malaysia Securities Berhad on 1 September 2017.

Prior to joining Advance Synergy Berhad in June 2001, Anton was with the South East Asia Investment Banking Division of Credit Suisse First Boston.

Anton graduated from the London School of Economics, University of London, with a Bachelor of Science in Economics. He has a Master of Arts in Finance and holds an Investment Management Certificate awarded by the UK Society of Investment Professionals.

Phuah Peng Hock
Lead Independent Director

Phuah Peng Hock was appointed to the Board on 18 December 2003 and was last re-elected on 26 April 2017. He was subsequently appointed by the Board as the Lead Independent Director on 26 February 2014. Peng Hock is the founder and Managing Director of Aviha Consulting Pte Ltd, a boutique management consultancy company focusing in business planning and process upgrading with Information Technology.

Peng Hock started out as a Design Engineer before switching to the business development field. In 1990, he joined Dynacast (S) Pte Ltd, a British-based die-casting company involved in regional marketing work. He then moved on to Ugimagnetic (S) Pte Ltd, a European-based manufacturer of magnet assembly for disk drives, as Marketing Manager in 1992. In 1994, he joined a company set up by the Economic Development Board of Singapore as a Senior Consultant, where he was involved in various areas of management consultancy.

Peng Hock holds a Bachelor of Engineering (Hon) degree from the University of Strathclyde, UK, Graduate Diplomas in Marketing Management (Marketing Institute of Singapore) and Marketing (Chartered Institute of Marketing, UK), as well as a Masters degree in Entrepreneurship & Innovation from Swinburne University of Technology, Australia in 1994.

Chuah Seong Phaik
Independent Director

(Paul) Chuah Seong Phaik was appointed to the Board on 18 December 2003 and was last re-elected on 29 April 2015. Paul has extensive experience in audit, finance and management including eight years as the Finance Director of a main board listed company on Bursa Malaysia Securities Berhad. He is the founder and Chairman of Messrs PCCO PLT Chartered Accountants.

Paul is a fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant with the Malaysian Institute of Certified Accountants and an Associate Member of the Institute of Internal Auditors of Malaysia.

BOARD OF DIRECTORS

Lee Su Nie
Non-Independent Non-Executive Director

Lee Su Nie has been a Non-Independent Non-Executive Director of the Company since 18 December 2003 and was last re-elected on 26 April 2017. Su Nie was a Non-Executive Chairman of the Company from 22 June 2006 to 10 August 2010. She is also the Non-Independent Director and Group Managing Director of Advance Synergy Berhad and sits on the Board of various subsidiaries and associated companies of Advance Synergy Berhad.

Su Nie holds a Bachelor of Commerce (Accounting) degree from the University of Birmingham, United Kingdom and a Master of Science (Business Administration) from the University of Bath, United Kingdom. She is also a Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

In 1985, Su Nie joined Kassim Chan Management Consultants Sdn Bhd where she provided management consultancy services. Su Nie joined the Corporate Finance Department of Rakyat Merchant Bankers Berhad in 1989. In 1991, she left Rakyat Merchant Bankers Berhad to join Perdana Merchant Bankers Berhad. Su Nie subsequently left her position as First Vice President, Corporate Finance of the Bank to join Advance Synergy Berhad in 1995.

KEY EXECUTIVES

CAPTII

Ho Ting Sai
General Manager &
Head, Group Business Development

Ho Ting Sai joined the Group in March 1999 and has more than 20 years' of experience in the information technology and communications industry with core competencies in telecommunications products and services.

Ting Sai was appointed as General Manager and Head of Group Business Development on 1 June 2017. Ting Sai previously served as the General Manager of Business Development of Unifiedcomms and also Head of Singapore Business, a role which involves overseeing the business operations of Unifiedcomms in Singapore.

Prior to joining the Group, Ting Sai was an R&D engineer with a supplier of very small aperture terminals (VSATs), microwave communications and RF equipment, now a division of a Singapore Government-linked enterprise, and a Product Manager in a multimedia and signalling technologies and platforms vendor.

Ting Sai graduated from the Nanyang Technological University with a Bachelor of Engineering (Hons) degree in Electrical and Electronic Engineering.

Chin Wei Li
Group Financial Controller & Head, Human Resources

Chin Wei Li joined the Group in January 2001 as Group Financial Controller. Wei Li is also concurrently Head of Human Resources, effective 2015. In this additional role, she has overall responsibility for the Captii Group's human resources function.

Prior to joining the Group, Wei Li was a Senior Manager in the audit assurance services group of PriceWaterhouseCoopers Malaysia, where she gained 11 years' of extensive experience in the field of business assurance involving various public-listed companies in a wide range of industries including property, financial services, timber and publishing.

Wei Li is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

Ng Sai Kit
General Manager - Investments & Corporate
Chief Executive Officer, Captii Ventures

Ng Sai Kit joined the Group in October 2007 and is currently General Manager – Investments & Corporate of the Group. Sai Kit works closely with the Group Executive Directors to identify opportunities for acquisitions and investments. In this role, he is responsible for the corporate finance, corporate affairs and strategic investment activities of the Group. In addition, Sai Kit is also Executive Director and Chief Executive of Captii Ventures, the venture investment business of the Group.

Prior to joining the Group, Sai Kit was in audit and corporate finance roles in various industries including property development, audit assurance, financial advisory, investment banking, plywood manufacturing and district cooling.

Sai Kit is a Chartered Accountant of the Malaysian Institute of Accountants and Fellow Member of The Association of Chartered Certified Accountants, United Kingdom.

Phang Deng Sheng
General Manager - Finance

(Danson) Phang Deng Sheng joined the Group in May 2008 as Senior Manager of Group Finance and was appointed to his present role of General Manager - Finance of the Captii Group in March 2011.

Prior to joining the Group, Danson was Group Financial Controller of a Malaysia Stock Exchange listed enterprise engaged in the mobile value-added-services industry. Between 1999 and 2006, he gained comprehensive experience in audit, accounting and finance with a leading audit assurance services group, a Malaysia listed corporation in the construction industry and one of the world's largest automotive interiors groups.

Danson graduated from the University of Strathclyde of Scotland with a Bachelor of Accounting and Finance degree. He is also a Chartered Management Accountant of the Chartered Institute of Management Accountants, United Kingdom.

KEY EXECUTIVES

UNIFIEDCOMMS

Yong Choon Vooi
Chief Executive Officer

Yong Choon Vooi ("CV") joined the Group in February 2008 as Senior Manager - Group Programme Management Office before being appointed General Manager - Group Service Delivery in March 2011.

CV was appointed Chief Executive of Unifiedcomms on 1 June 2017. Previously, CV was General Manager of the System and Service Delivery (SSD) function of Unifiedcomms. In this role, he had overall responsibility for managing and overseeing system development and implementation, as well as the associated project management and post-implementation support/customer care functions of the Unifiedcomms business.

CV has more than 20 years of experience in the field of software development and project management and started his career with a software development house of one of the largest Malaysian conglomerates as programmer. He then joined a Malaysia Stock Exchange listed enterprise specialising in human resource management and financial/distribution software before being engaged by a large Malaysian education services group as Project Director of their campus management solution development company. Prior to joining the Group, CV was the Senior Project Manager of a Malaysia based firm that develops various solutions for the financial services industry.

CV graduated with a Bachelor of Computer Science from Campbell University, Texas, USA.

Cheah Foo Choong
General Manager
Business Development & Service Management

(Darren) Cheah Foo Choong joined the Group in June 2010 as General Manager for Mobilization Sdn Bhd and was responsible for the overall management of Mobilization business operations. Darren was appointed General Manager of Business Development & Service Management of Unifiedcomms on 1 June 2017.

Previously, Darren served as General Manager - Pakistan Business. In this role, Darren was responsible for leading and managing the Pakistan operations of Unifiedcomms. He was also the Deputy Head of Business Development, a role which involved supporting the General Manager – Business Development in overseeing and managing the business development and sales function of Unifiedcomms.

Darren started his career in 1996 in the advertising and promotions department of The Store and progressed to the position of Assistant Manager of their loyalty rewards programme. In 2004 he joined Unrealmind Interactive Berhad, a pioneer in the premium SMS business in Malaysia as Manager in the Advertising & Promotions department where he led and managed the advertising and promotion activities of the company's core products. In 2006, Darren was with R&D Media Malaysia Sdn Bhd, a Dutch premium SMS business as their Regional Manager-Marketing and Content. He then progressed to the position of General Manager in 2008, reporting to the Group CEO based in Amsterdam before joining the Group two years later.

Darren holds a Masters in Business Administration (MBA) degree from Nottingham Trent University.

Loo Mun Chung
Senior Manager - Security & Networks
Head, Mobile Number Portability Technical Operations

Loo Mun Chung ("Loo") joined the Group in 2001 as a telecommunications engineer and progressed through the ranks to his current position. Previously, he was Head of Product Development 2 and U-Projects, a division of Unifiedcomms involved in new application and platform product development.

Loo graduated from Sheffield Hallam University in 2000 with a Bachelor of Electrical and Electronic Engineering (Hons) degree.

KEY EXECUTIVES

POSTPAY

Yap Wai Shoong
Chief Executive Officer

(Patrick) Yap Wai Shoong joined the group in 2003 and was made Director and General Manager of Ahead Mobile Sdn Bhd in 2006 to drive the company's location-based services business initiatives in Malaysia.

Patrick was appointed Chief Executive of PostPay on 1 June 2017. Previously, Patrick was General Manager – Solution Consulting & Service Management of Unifiedcomms. Patrick assumed this role in 2015 and had overall responsibility for the solution consulting, service marketing and service management functions of Unifiedcomms, with primary focus being on the managed service business.

Patrick has over 20 years' of experience in Malaysia and overseas. Prior to joining the Group, Patrick was with Digi Telecommunications for 10 years where he held various roles and positions in the International Carrier Services division.

Patrick holds a Bachelor of Electrical and Electronics Engineering (First Class Honours) and Masters in Engineering from University of Auckland, New Zealand.

Wong Kok Choy
General Manager
Technology & Product Development

Wong Kok Choy ("KC") joined the Group in January 2003 and has more than 15 years of experience in the field of software development and integration in the telecommunications network operator environment, specialising in mobile value added-services (VAS). KC was appointed General Manager of Technology & Product Development of PostPay on 1 June 2017. Previously, KC served as General Manager of Product Development 1 and was responsible for the design and development of new application and platform products. In addition to this primary role, KC was also actively involved in leading the technical pre-sales activities of the business as head of solution consulting at Unifiedcomms.

KC started his career in 2001 with Digi Telecommunications, focusing on operations, mediation and software development. He subsequently joined the Group in 2003 in a software development capacity, moving through various roles from solution architect through to team lead and senior manager before assuming his present position.

KC graduated with a first class honours Bachelors Degree in Computing from Staffordshire University in 2001 and received the Staffordshire University School of Computing Prize for the Best Project by a Student of B.Sc (Hons) in Computing (Internet Technology).

GLOBEOSS

Ann Wan Kuan
Chief Executive Officer

Ann Wan Kuan ("Ann") is CEO of GlobeOSS which provides the OSS solutions, services and software that drive next generation communications networks.

Prior to setting up GlobeOSS, Ann worked with Agilent Technologies & Hewlett-Packard, undertaking various leadership positions such as SEA Consulting Manager for Hewlett Packard, Asia Pacific OSS Manager for Agilent Technologies and Managing Director for Agilent Technologies Sales Malaysia. Over the past 20 years Ann has worked with more than 30 various mobile and fixed-line operators in the Asia Pacific region.

Ann graduated with a first class honours Bachelors Degree in Electronic Engineering from University of Manchester Institute of Science and Technology in 1993.

Lim Peng Kwong
Operations Director

Lim Peng Kwong ("Lim") currently serves as Operations Director of GlobeOSS. He joined GlobeOSS in January 2006 and was appointed to his current position in November 2007. He is responsible for GlobeOSS overall strategic technology direction in its managed services business. In addition, he also leads and supports the overall service delivery operations of GlobeOSS.

Lim has more than 20 years of experience in the consumer durable, automobile and telecommunications industries. Prior to joining GlobeOSS, he was the co-founder of a Singapore based company that provides unified messaging solutions to customers in Singapore, Korea, Taiwan, Malaysia, US, China and Hong Kong. His experience spans the areas of software development; systems integration and system deployment in the information technology and telecommunications industries, with comprehensive domain knowledge specifically in OSS.

Lim holds a Bachelor of Science degree in Information Technology from Campbell University USA, and a Diploma in Computer Science from Tunku Abdul Rahman College Malaysia.

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and management of Captii Limited ("the Company") remain committed to observing and maintaining a high standard of corporate governance to protect the interests of shareholders and other stakeholders and to promote investors' confidence. This report describes the Company's corporate governance practices with reference to the principles and guidelines set out in the revised Code of Corporate Governance 2012 (the "Code") and the extent of compliance thereto. In areas where the Company deviates from the Code, the rationale is provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The direction and control of the Company and its subsidiaries ("the Group") rests firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Group.

In addition to its statutory duties, the Board's principal functions are as follows:

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;
2. Approving the annual budget, reviewing the performance of the business and approving the release of the quarterly and year end results announcement of the Company to shareholders;
3. Providing guidance in the overall management of the business and affairs of the Group;
4. Overseeing the processes for risk management, financial reporting and compliance;
5. Approving the recommended framework of remuneration for the Board and key executives by the Remuneration Committee; and
6. Considering sustainability issues as part of the Group's strategies.

The Board delegates certain specific responsibilities to three (3) committees namely, Audit, Nominating and Remuneration Committees. The Board accepts that while these Committees have the authority to examine any particular issue and report back to the Board with their recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board meets at least four (4) times a year, with additional meetings convened as warranted by particular circumstances as deemed appropriate by the Board.

The attendance of the directors at Board and Board Committees Meetings, as well as the frequency of such meetings during the financial year, are set out in Table A.

Matters which are specifically reserved to the Board for decision include:

1. Approving broad policies, business plans and budgets;
2. Investment and divestment proposals, material acquisitions and disposals of assets;
3. Corporate strategy and restructuring;
4. Share issuances and dividends;
5. The adequacy of internal controls, risk management, financial reporting and compliance;
6. Assessment of management performance; and
7. Corporate governance responsibilities.

The Board reviews management's performance, directs the Company's values and standards, and objectively discharge their duties and responsibilities at all time as fiduciaries in the interest of the Group.

There was no new director appointment during the financial year ended 31 December 2017. Upon appointment of each new director, a formal letter, setting out the director's duties and obligations shall be provided by the Company. In addition, all newly appointed directors will be given briefings by management on the history, business operations and corporate governance practices of the Company. The directors are provided with regular briefings and updates on changes in the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act and other regulations/ statutory requirements, as well as developments in financial reporting standards, from time to time for them to keep pace with changes in the regulatory environment and commercial risks.

Briefings and updates provided to the directors in 2017:

1. The external auditors, RSM Chio Lim LLP, briefed Audit Committee members on developments in accounting and governance standards at meetings half yearly;
2. The Executive Chairman and Executive Director updated the Board at quarterly meetings on strategy and new developments at the Group; and
3. The Executive Chairman and Group Financial Controller updated the Board at quarterly meetings on the segmental business operations of the Group.

CORPORATE GOVERNANCE REPORT

Table A: Directors Attendance at Board and Board Committee Meetings								
	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wong Tze Leng	4	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Anton Syazi Ahmad Sebi	4	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Phuah Peng Hock	4	4	4	4	1	1	1	1
Chuah Seong Phaik	4	4	4	4	1	1	1	1
Lee Su Nie	4	4	4	4	1	1	1	1

(n.a.-not applicable)

Table B: Members of the Board		
Executive Directors	Independent Directors	Non-Independent Non-Executive Director
Wong Tze Leng Anton Syazi Ahmad Sebi	Phuah Peng Hock Chuah Seong Phaik	Lee Su Nie

In addition, the directors are encouraged to attend other seminars and training, or to seek independent professional advice, where relevant and appropriate, to enable them to discharge their duties. Some of the training attended by directors in 2017 includes:

1. Crisis Management & Anti-Money Laundry Act (AMLA) Part 2 on 20 January 2017;

2. Mandatory Accreditation Programme (MAP) on 7 & 10 April 2017;

3. Echelon Malaysia 2017 – From Second City to Startup City on 12 & 13 April 2017;

4. ASEAN Conference 2017 on 4 May 2017;

5. Shares with No Par Value, Share Buybacks and Redeemable Preference Share – Companies 2016 on 15 May 2017;

6. Building Fintech Bridges between Europe and Malaysia on 11 July 2017;

7. Capital Market Conference 2017: Global Capital Markets: Entering New Era on 18 July 2017;

8. Critical Issues in Applying Malaysian Private Entities Reporting Standards (MPERS) on 4 September 2017;

9. Directors Risk Management Programme:"I am Ready to Manage Risk" on 13 September 2017;

10. Advocacy Session on Corporate Disclosure for Directors and Principal Officers of listed issuers on 3 October 2017;

11. Advocacy Session to enhance quality of management discussion & analysis for CEO and CFO of listed issuers on 23 October 2017;

12. Leadership Energy Summit Asia 2017 on 8 & 9 November 2017; and

13. 2018 Budget Seminar on 9 November 2017.

Directors may also request for further explanations, briefings or information on any aspect of the Company's operation and business issues from management.

Principle 2: Board Composition and Guidance

The Board currently comprises five (5) directors, all of whom, except for the Executive Chairman and Executive Director, are non-executive and two (2) of whom are independent.

The directors in office at the date of this report are disclosed within Table B above.

The Board is supported by various committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") whose functions are also described below.

As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board and in the process of identifying suitable candidates to comply with the guideline stated in the Code which requires Independent Directors to make up at least half of the Board.

The criterion for independence is based on the guidelines stated in the Code. The Board considers an "Independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

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The independence of the Independent Director is subject to the NC's annual review, based on the guidelines stated in the Code, in particular the rigorous review on the continued independence of Independent Directors who have served for more than nine (9) years from the date of their first appointment.

In respect of each of the two (2) Independent Directors, namely Phuah Peng Hock and Chuah Seong Phaik having served more than nine (9) years, the Board has considered specifically their length of service and their continued independence. The Board determined that the Independent Directors remained independent in character and judgment, and that there were no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board is of the opinion that their length of service has not, in anyway, affected their independence.

Referring to all other directors who have served beyond nine (9) years, the Board does not consider the requirement of their retirement (if any) to be in the best interests of the Company.

The Board is able to exercise objective judgment independently from management and no individual or small group of individuals dominate the decisions of the Board.

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of directors of both gender and who are qualified and experienced in various fields including sales, engineering, business administration, general management, accountancy and finance.

The Non-Executive and Independent Directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and are also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives.

Where necessary, the Non-Executive and Independent Directors meet without the presence of Executive Directors or management.

Principle 3: Chairman and Executive Director

Wong Tze Leng ("Tze Leng") is the Executive Chairman of the Board and Anton Syazi Ahmad Sebi ("Anton") is the Executive Director of the Company. They are not related to each other. The Board having considered the number of Non-Executive and Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group, is of the view that its current structure has a strong independent element which enables the independent exercise of objective judgment on corporate affairs of the Group. This is reinforced by the establishment of the various Committees of which both Tze Leng and Anton are not members.

As the Chairman of the Board, Tze Leng is responsible for providing leadership to the Board and ensuring that the Board functions effectively. He is also responsible for, among others;

(a) scheduling meetings of the Board and setting the Board meeting agenda in consultation with the Company's senior management;

(b) exercising control over quality, quantity and timeliness of the flow of information between management and the Board;

(c) ensuring compliance with the Company's guidelines on corporate governance; and

(d) facilitating the effectiveness contribution of Non-Executive Directors.

Prior to Board Meetings, all directors are provided with board papers so that the directors have complete and timely information to enable them to be adequately prepared for the meetings.

The roles of the Executive Chairman and Executive Director are separate and their responsibilities are clearly formalised. Supported by the team of Chief Executives from respective business units of the Group, the Executive Chairman is responsible for providing overall leadership in the management of the Group. The Executive Director, who was formerly the Group Chief Executive to 1 September 2017, is primarily responsible for overseeing the venture investment and corporate development activities of the Group. The management and the execution of business policies, strategies, objective and plans of the businesses within the Group as formalised and adopted by the Board, are carried out by the Chief Executive of each business together with the team of key executives reporting to him.

The Board has on 26 February 2014 appointed Phuah Peng Hock as the Lead Independent Director. The Lead Independent Director will be available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman or the Executive Director has failed to resolve their concerns or is inappropriate.

Led by the Lead Independent Director, the Non-Executive and Independent Directors meet without the presence of other directors, where necessary.

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

To facilitate a formal and transparent process for the appointment of new directors, the Board has formed the NC which comprises:

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Member)
Lee Su Nie	(Member)

All three Committee members are Non-Executive Directors of the Company. Except for Lee Su Nie, all other members of the NC are Independent Directors.

The key terms of reference of the NC:

1. To review and make recommendations to the Board on:

    (a) The Board succession plans for directors;

    (b) The process for performance evaluation of the Board;

CORPORATE GOVERNANCE REPORT

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

(d) The appointment and re-appointment of directors.

2. To determine annually whether a director is independent;

3. To decide whether or not each director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations;

4. To decide on how the Board's performance may be evaluated and propose objective performance criteria to the Board; and

5. To assess the effectiveness of the Board as a whole and the contributions by each individual director to the effectiveness of the Board.

The role of the NC is to oversee the selection, appointment, re-appointment and induction process for directors. Candidates are selected for their character, judgment and business acumen. New directors will be appointed based on NC's recommendations.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the NC, in consultation with the Board, will review the composition of the Board, including the mix of expertise, skills and attributes of existing directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes. Where it deems necessary or appropriate, the NC may seek assistance from external search consultants for the selection of potential candidates. After the NC Chairman, the Chairman of the Board and the other NC members have interviewed the candidates, the candidates are shortlisted for the NC's formal consideration for appointment to the Board.

Where a director has multiple board representations, the NC will evaluate whether or not a director is able to and has been adequately carrying out his or her duties as director of the Group. The maximum number of listed company representations which any director may hold is set to be not more than five (5). Currently there is no alternate director appointed to the Board.

The profile that comprises key information of each of the directors is provided in page 13 to 14 of this Annual Report.

The independence of each director is reviewed annually by the NC based on the Code's definition of what constitutes an Independent Director. Based on this review, the NC confirms the independence of the directors concerned.

The NC has reviewed the training needs for the directors in 2017 and encouraged directors to attend the relevant training courses that could enhance their knowledge to perform their duties as directors of the Company.

Pursuant to the Company's Constitution:

(a) at least one third of the directors shall retire from office by rotation and be eligible for re-election at every AGM; and

(b) directors appointed during the course of the financial year shall submit themselves for re-election at the next AGM of the Company.

As such, the Board has accepted the NC's recommendation that Wong Tze Leng and Chuah Seong Phaik, who are retiring pursuant to Article 103 of the Company's Constitution, be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the directors' overall contributions and performance.

Wong Tze Leng will, upon re-election as Director, remain as Group Executive Chairman.

Chuah Seong Phaik will, upon re-election as Director, remain as an Independent Director, Chairman of Audit and Nominating Committees and a member of the Remuneration Committee.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his or her performance or his or her re-nomination as a director.

The NC has adopted guidelines for annual assessment of the effectiveness of the Board as a whole and of the contribution of each individual director to the effectiveness of the Board and has performed the necessary assent for the financial year.

As part of the process, the directors will complete appraisal forms which are then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board.

Individual evaluation aims to assess whether each director continues to contribute effectively and demonstrate commitment to the role. The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance of the Board as a whole has been satisfactory.

Principle 6: Access to Information

The Board is provided with complete, adequate and timely information prior to Board meetings on an on-going basis so as to enable it to make informed decisions to discharge its duties and responsibilities. The Company circulates copies of minutes of meeting of all Board Committees to the respective members of the Board to keep them informed of on-going development at the Group.

The directors have separate and independent access to the Company's management and the Company Secretary at all times. Directors are entitled to request from management and should be provided with such information as needed to make informed decisions in a timely manner. The Executive Chairman also keeps the Non-Executive Directors informed, in between Board meetings, on the status of on-going initiatives by the Group. Should the directors, whether as a group or

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individually, require independent professional advice; such professionals (who will be selected with the approval of the Executive Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

Where a decision has to be made before the Company's Board meeting is convened, a Directors' Resolution is circulated in accordance with the Company's Constitution and the directors are provided with the necessary information that will allow them to make informed decisions. The Executive Chairman will also ensure that management promptly answers any queries raised by the directors.

The Company Secretary attends the Company's meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary assists management in ensuring that the Company complies with rules and regulations which are applicable to the Company. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises all Non-Executive Directors with the majority including the Chairman being independent:

Phuah Peng Hock	(Chairman)
Chuah Seong Phaik	(Member)
Lee Su Nie	(Member)

The RC's key terms of reference include:-

1. To review and recommend to the Board a general framework of remuneration and specific remuneration packages for the Board and key executives;

2. To review and ensure that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate and commercially competitive;

3. To structure a significant and appropriate proportion of Executive Directors' and key executives' remuneration so as to link rewards to corporate and individual performance;

4. To review and ensure the remuneration of Non-Executive Directors to be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors; and

5. To consider the various disclosure requirements for directors' remuneration, particularly those required by regulatory bodies such as SGX-ST.

The RC seeks advice internally from the Head of Group Human Resources, who attends all RC meetings. If necessary, the RC may also seek professional advice externally on remuneration of directors, key executives or employees.

The RC reviews the Company's obligations arising in the event of termination of the executive directors, key executive personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The remuneration of the Executive Directors and the key executives comprises of fixed and variable components. The fixed component is in the form of monthly base salary and allowance, while variable component is linked to the performance of the Group and the individual. Staff appraisals are conducted and reviewed annually.

The Non-Executive Directors receive directors' fees, in accordance with their level of contribution and responsibilities.

The Company currently does not have any contractual provisions allowing the Company to reclaim incentive components from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Board is of the view that as the Group pays performance bonus based on the actual performance of the Group, "claw-back" provisions in the service arrangements may not be relevant or appropriate.

The Executive Chairman is currently serving his service agreement which he has renewed for a further period of three (3) years with the Company on 19 December 2015 ("Service Agreement"). The Service Agreement covers the terms of employment, specifically salary and other benefits.

In setting remuneration packages, the RC took into account the performance of the Group as well as the directors and key executives by aligning their interests with those of the shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. The RC's recommendation is made in consultation with the Executive Chairman and Executive Director and submitted for endorsement by the entire Board.

The payment of directors' fees is subject to the approval by shareholders.

In the interest of maintaining confidentiality, and team spirit within the Group, the Company has not disclosed the remuneration of each individual directors and key executives.

Remuneration of Directors

The Company is only disclosing the bands of remuneration of each director for the financial year under review in Table C.

In aggregate, the total remuneration paid and payable to the directors for the financial year ended 31 December 2017 is S$496,000.

Save as disclosed, there are no other existing service agreement entered into between the Company and any of the Company's directors.

There are no retirement benefit schemes or share based compensation schemes in place for directors.

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Table C: Bands of Directors' Remuneration						
Name of Directors	Fee %	Salary %	Bonus %	Allowance & Benefits %	Long Term Incentives %	Total %
S$250,001 – S$500,000						
Wong Tze Leng [(1)]	–	60	21	19	–	100
Below S$250,000						
Anton Syazi Ahmad Sebi [(2)]	–	64	–	36	–	100
Phuah Peng Hock [(3)]	100	–	–	–	–	100
Chuah Seong Phaik [(3)]	100	–	–	–	–	100
Lee Su Nie [(3)(4)]	100	–	–	–	–	100

Note:

(1) Pursuant to prevailing Service Agreement that renewed on 19 December 2015, Wong Tze Leng's remuneration consists of fixed salary, allowance and performance bonus.

(2) Anton Syazi Ahmad Sebi's remuneration consists of fixed salary, allowance and performance bonus.

(3) The remuneration in the form of directors' fees is subject to the approval by the shareholders at the forthcoming AGM.

(4) Fees are payable to Advance Synergy Berhad.

Table D: Remuneration Band of Key Executives						
Name	Fee %	Salary %	Bonus %	Allowance & Benefits %	Long Term Incentives %	Total %
Below S$250,000						
Chin Wei Li	–	68	9	23	–	100
Ng Sai Kit	–	71	9	20	–	100
Phang Deng Sheng (Danson)	–	70	9	21	–	100
Ho Ting Sai	–	82	10	8	–	100
Yong Choon Vooi	–	69	9	22	–	100
Yap Wai Shoong (Patrick)	–	72	9	19	–	100
Cheah Foo Choong (Darren)	–	74	9	17	–	100
Wong Kok Choy	–	72	9	19	–	100
Loo Mun Chung	–	72	9	19	–	100
Ann Wan Kuan	66	–	34	–	–	100
Lim Peng Kwong	–	66	16	18	–	100

Remuneration of Key Executives

Details of remuneration paid to the top eleven (11) key executives (who are not directors of the Company) of the Group for the financial year is set out above. For competitive reasons, the Company is only disclosing the bands of remuneration of each executive for the financial year under review in Table D.

In aggregate, the total remuneration paid and payable to the top 11 key executives for the financial year ended 31 December 2017 is S$1,452,000.

During the financial year, there is no employee or executive officer who is related to a director and the Executive Director, and whose remuneration exceeds S$50,000 per annum.

There are no employee share schemes in place for the employees or key executives.

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ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the quarterly and annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects. Management will provide the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

The Board also ensures full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of SGX-ST.

Pursuant to SGX-ST Listing Manual Rule 705 (5), the Board provided a negative assurance confirmation for the quarterly financial statements to shareholders.

Principle 11: Risk Management and Internal Controls

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the shareholders and the Group's assets.

The Board and management assume the responsibility of the risk management function through the regular management review on the Group's business and operational activities. The Board determines the nature and extent of the significant risks which the Board is willing to take, as well as appropriate measures to mitigate these risks.

The Group's system of risk management and internal controls provides reasonable and adequate 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.

The Board, with the assistance of the AC will ensure that a review of the effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the external and internal auditors and will ensure that the Company follows up on recommendations raised by both the internal and external auditors, if any, during the audit process. The Company will continue to make efforts in improving its risk management practices and internal control system.

Based on the system of internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Audit Committee and the Board are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls and risks management system were adequate as at 31 December 2017. This is in turn supported by assurance from the Executive Chairman and the Group Financial Controller that:

(a) the financial records of the Group have been properly maintained and the consolidated financial statements for the financial year ended 31 December 2017 give a true and fair view of the Group's operations and finances;

(b) they have crafted a system of internal controls to ensure material information relating to every company in the Group is disclosed on a timely basis by relevant person-in-charge of reporting;

(c) they have evaluated the effectiveness of the Group's internal control system as at 31 December 2017; and

(d) they have disclosed to the internal and external auditors and the Board, any significant deficiencies in the internal control system that could adversely affect the ability to record and report its financial data, fraud involving the management or other employees, and material weaknesses and significant deficiencies in the internal controls policy.

The Board notes that no cost effective internal control system and risk management can preclude all errors and irregularities, as a system is designed to provide only reasonable and not absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises:

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Member)
Lee Su Nie	(Member)

Except for Lee Su Nie, who is Non-Independent Non-Executive Director, the other two AC members are all Independent Non-Executive Directors. The members have had many years of experience in accounting, audit and business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

There is no former partner or director of the Company's existing auditing firm or auditing corporation who acts as a member of the Company's AC.

Specifically, the AC shall meet on a periodic basis to perform the following functions (under the key terms of reference for AC):

(a) To review with the independent external auditors their audit plan;

(b) To review with the independent external auditors their evaluation of the Company's internal accounting controls relevant to their statutory audit, their report on the financial statements, the key audit matters and the assistance given by the Company's officers to them;

(c) To review with the internal auditors their audit plan, scope and results of the internal audit procedures;

(d) To review the financial statements of the Group and the Company prior to their submission to the Board for adoption;

(e) To review the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST);

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(f) To review the internal control and procedures and ensure co-ordination between the external auditors and the management;

(g) To review the significant financial reporting issues and judgments so as to ensure the integrity of the Group's financial statements and any related announcements;

(h) To approve the hiring, removal, evaluation and compensation of the internal auditors;

(i) To review and report to the Board, at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems; and

(j) To review the independence of the external auditors annually and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Minutes of the AC meetings are regularly submitted to the Board for its information and review. The AC meets with the external and internal auditors, without the presence of management, at least once a year.

The AC is also authorised to investigate any matter within its terms of reference. It has full access to and the cooperation of management and the full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has undertaken a review of all non-audit services provided by the external auditors and in the AC's opinion, the provision of these services does not affect the independence and objectivity of the external auditors and is pleased to recommend their re-appointment.

The fees paid to the external auditors for financial year ended 31 December 2017 amounted to S$142,000 and S$26,000 for audit and non-audit services respectively.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC have reviewed the appointments of different auditors for its overseas subsidiaries and are satisfied that the appointments of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712, 715 and 716 of the Listing Manual of SGX-ST.

The Group has implemented a whistle blowing policy adopted by the Board. The policy provides an avenue for staff of the Group to raise concerns on any possible misconduct in the Group or improprieties in relation to financial reporting and other matters.

The whistle blowing policy is overseen by the AC and Whistle-Blowing Committee ("WBC") which comprises i) Head of Group Human Resources; ii) General Manager – Investments & Corporate; and iii) Head of Risk Management (employed under the ultimate holding company). To ensure independent investigation of such matters and confidentiality protection of the whistleblower, reports can be sent to any of the members above for their relevant actions, such as investigation and follow-up action. To-date, no reports of misconduct or impropriety have been received by the AC or WBC.

During the financial year 2017, the AC carried out the following activities:

(a) reviewing quarterly and full year financial statements (audited and unaudited) and recommended to the Board for approval;

(b) reviewed and approved the interested/related party transactions;

(c) reviewed and approved the annual audit plan and report of the external auditors including key audit matters as stated in the Independent Auditors' Report;

(d) reviewed and approved the annual internal audit plan, reports of internal auditors and appointment of internal auditors;

(e) reviewed the appointment of RSM Chio Lim LLP as the external auditors and determined their remuneration, and made a recommendation for Board approval;

(f) met with the external auditors and internal auditors each once without the presence of management;

(g) reviewed the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system; and

(h) noted the assurance from the Executive Chairman and Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements, through advice sought, updates and briefing from management and internal auditors, and the external auditors when they attend the AC meetings half yearly.

Principle 13: Internal Audit

The function of internal audit is outsourced to a professional internal audit firm. The internal auditor ("IA") reports principally to the AC Chairman.

The AC approves the engagement, termination, evaluation and compensation of the IA.

The IA provides independent appraisal and assurance for the review of the operations within the Group in order to support the AC in fulfilling their oversight responsibility. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems of the Group.

The IA adopts a risk-based approach in developing its audit plan based on the Group's risk profile. The internal audit plan and the scope of internal audit are presented and approved by the AC on a yearly basis. Audit findings, recommendations and management's corrective actions are reported regularly to the AC. The AC also reviews annually the adequacy and effectiveness of the IA to ensure that the IA has the capabilities to adequately perform its functions.

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During the year, the IA has carried out its function according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, which includes operational and internal control reviews based on prioritised risk areas identified and appropriate steps have been taken by management to address the findings and recommendations.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company treats all shareholders fairly and equitably, and does not practice selective disclosure. In line with the continuous obligations of the Company pursuant to SGX-ST's Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to the shareholders on a timely basis through:

(i) SGXNET announcements and news releases;

(ii) Annual Reports prepared and issued to all Shareholders; and

(iii) Investor Relations website at captii.listedcompany.com where shareholders can access investor-related information on the Company.

Shareholders are given the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the relevant rules and procedures that govern general meetings.

At general meetings, shareholders of the Company are given the opportunity to air their views and ask directors or management questions regarding the Company and the Group.

The Company's Constitution allows a member of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at general meetings. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend their Constitution to allow votes in absentia.

There is no provision in the Company's Constitution that limit the number of proxies for a relevant intermediary which purchases shares on behalf of the CPF investors.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

All directors, including Chairman of the Board and respective Chairmen of the AC, NC and RC are present at general meetings to answer questions from shareholders. The external auditors are also present to assist the directors in addressing shareholders' queries about the conduct of the audit and the preparation and content of their auditors' report.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and makes these minutes available to shareholders upon their request.

In compliance with S730A (2) of SGX-ST's Listing Rules, the Company puts all resolutions at the forthcoming general meetings to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company does not have a fixed dividend policy. In considering the amount, frequency and form of dividend payments, the Board takes into account the Group's financial results, cash position, capital requirements of the Group's growth and development plan, the Company's retained earnings and other factors. The Company paid interim dividend of 2.50 cents per share on 12 September 2017.

ADDITIONAL INFORMATION

DEALING IN SECURITIES
(SGX-ST Listing Manual Rule 1207(19))

In compliance with Rule 1207 (19) of the Listing Manual issued by SGX-ST, the Company has adopted SGX-ST's Best Practices Guide and has in place a policy of prohibition in relation to dealings in the Company's securities by its officers. The Company has informed its Directors, officers and employees not to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three (3) quarters of its financial year, or one (1) month before announcement of the Company's full year results, and ending on the date of announcement of the relevant results. Directors, officers, and employees are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Group's securities on short-term considerations.

The directors and executives are also expected to observe insider trading laws at all time, even when dealing in securities within permitted trading period.

RISK MANAGEMENT
(SGX-ST Listing Manual Rule 1207(4)(b)(iv))

The practice of risk management is undertaken by the Executive Chairman, key executives and senior officers of each business division under the review of the Board. The Group regularly reviews and improves its business and operational activities to take into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as to formulate appropriate measures to control and mitigate these risks.

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The Group's financial risk management is discussed under Note 30 to the Financial Statements, on page 73 to 77 of this Annual Report.

The effectiveness of the Group's risk management practices and the risk exposure of the Group will continue to be reviewed by the Board in light of changes in the operational environment of the Group.

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY
(SGX-ST Listing Manual Rule 907)

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. Particulars of the interested person transactions for the financial year ended 31 December 2017, disclosed in accordance with Rule 907 of SGX-ST's Listing Manual are set out in Table E.

MATERIAL CONTRACTS
(SGX-ST Listing Manual Rule 1207(8))

Save for the IPTs, no material contract involving the directors or controlling shareholders of the Company has been entered into by the Company or any of its subsidiaries since the end of previous financial year and no such contract subsisted at the end of the financial year.

Table E: Particulars of the Interested Person Transactions				
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
AESBI Power Systems Sdn Bhd *	229	250	–	–

Note:

The Company does not require any shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST.

** A wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd (a subsidiary of Advance Synergy Berhad).*

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

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

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Wong Tze Leng
Anton Syazi Ahmad Sebi
Phuah Peng Hock
Chuah Seong Phaik
Lee Su Nie

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

	Shareholdings registered in the name of director or nominee		Shareholdings in which director is deemed to have an interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
<u>The company</u>	Number of ordinary shares of no par value			
Wong Tze Leng	1,903,432	1,903,432	–	–
Anton Syazi Ahmad Sebi (a)	517,600	517,600	–	–
Chuah Seong Phaik	–	–	100,000	100,000
Lee Su Nie (b)	20,000	20,000	–	–
<u>Advance Synergy Berhad – Ultimate parent company</u>	Number of ordinary shares of no par value			
Anton Syazi Ahmad Sebi	–	–	30,467,000	30,467,000
Lee Su Nie	–	–	365,000	365,000
<u>Acrylic Synergy Sdn Bhd – Related body corporate</u>	Number of ordinary shares of no par value			
Anton Syazi Ahmad Sebi	1	1	–	–
<u>Segi Koleksi Sdn Bhd – Related body corporate</u>	Number of ordinary shares of no par value			
Anton Syazi Ahmad Sebi	–	–	105,000	105,000
<u>Metroprime Corporation Sdn Bhd– Related body corporate</u>	Number of ordinary shares of no par value			
Anton Syazi Ahmad Sebi	–	–	350,000	350,000

(a) Held through Raffles Nominees Pte Ltd
(b) Held through Phillip Securities Pte Ltd

The directors' interests as at 21 January 2018 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

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

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares of the company or other body corporate in the group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or other body corporate in the group under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Chuah Seong Phaik	(Chairman)
Phuah Peng Hock	(Independent director)
Lee Su Nie	(Non-independent, non-executive director)

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by management to the internal auditor.
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor's objectivity and independence is safeguarded, where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

STATEMENT BY DIRECTORS

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2017.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 13 February 2018, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Wong Tze Leng
Director

Anton Syazi Ahmad Sebi
Director

21 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Captii Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the group and of the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Impairment testing of goodwill

Refer to Note 2A *"Goodwill"*, *"Impairment of non-financial assets"* and Note 2C *"Estimated impairment of goodwill"* for relevant accounting policies and discussion of significant accounting estimates, and Note 15 *"Intangible assets"* for the key assumptions used in impairment testing of goodwill.

Goodwill amounted to $10.6 million and represented approximately 20% of the group's total assets as at 31 December 2017. Goodwill is assessed annually for impairment. Management uses the value-in-use method to determine the recoverable amount of goodwill. The value in use calculation requires the group to estimate the future cash flows arising from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate present value. In estimating the future cash flows of the cash-generating unit, management forecasted the revenue, growth rates and margins based on presently available information.

We discussed with management the process over the determination of estimates for forecasted revenues, growth rates, profit margins, tax rates and discount rates. As the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions, our audit procedures included, among others, using our in-house valuation specialists to assist us in evaluating the assumptions and methodologies used by the group. We assessed management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance and industry benchmarks. Our in-house valuation specialists also performed a review of the management's methodology, expectations and the discount rate used in the impairment assessment and tested the accuracy of the computations. We have also assessed the adequacy of the disclosures made in the financial statements.

b) Fair value of unquoted investments

Refer to Note 2A *"Fair value measurement"*, *"Financial assets"* and Note 2C *"Fair value of unquoted investments"* for relevant accounting policies and discussion of significant accounting estimates, Note 18 *"Investment in an associate"* and Note 19 *"Other financial assets"* for the key assumptions used in determining the fair value of the unquoted investments.

Unquoted investments, comprised mainly of unquoted equity investments and unquoted debt securities amounted to $9.3 million and represented approximately 17% of the group's total assets as at 31 December 2017. The fair value of majority of these financial assets are determined, with the assistance of external specialists, using valuation methodology that involved difficult and complex management's judgments because these securities are not traded in an active market. As a practical expedient the fair value of the investment is regarded as fair value at Level 3. The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. For investments acquired during the year where there is a lack of observable inputs, management considers various indicators where cost might not be representative of fair value.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

Key audit matters (cont'd)

b) Fair value of unquoted investments (cont'd)

We discussed with management the basis used in determining the fair value, and evaluated the appropriateness of the valuation methodologies particularly for material illiquid financial instruments. The audit team was supported by our in-house valuation specialists to assess whether the valuations arrived at by the group were within a pre-defined reasonable range of acceptable differences. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation, by benchmarking them with external data. We also determine whether such valuation methodology is consistent with market practice. Finally, we have also assessed the adequacy of the disclosures made in the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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 Lee Mong Sheong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

21 March 2018

Engagement partner - Effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017	Group 2016
		$'000	$'000
Revenue	5	24,807	23,452
Cost of sales		(13,466)	(10,967)
Gross profit		11,341	12,485
Interest income	6	154	259
Other gains	7	52	2,988
Technical support expenses		(3,069)	(3,126)
Distribution costs		(1,290)	(1,390)
Administrative expenses		(3,404)	(3,317)
Other losses	7	(970)	(487)
Share of loss from an equity-accounted joint venture	17	–	(3)
Profit before tax		2,814	7,409
Income tax expense	10	(514)	(950)
Profit, net of tax		2,300	6,459
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		887	(1,012)
Total comprehensive income for the year		3,187	5,447
Profit for the year attributable to:			
- Owners of the company		1,166	5,334
- Non-controlling interests		1,134	1,125
		2,300	6,459
Total comprehensive income for the year attributable to:			
- Owners of the company		1,970	4,410
- Non-controlling interests		1,217	1,037
		3,187	5,447
Earnings per share		**Cents**	**Cents**
- Basic and diluted earnings per share	11	3.65	16.69

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Plant and equipment	13	1,694	1,288	–	–
Investment property	14	2,660	2,588	–	–
Intangible assets	15	11,646	11,582	–	–
Investments in subsidiaries	16	–	–	32,734	32,734
Investment in a joint venture	17	–	–	–	–
Investment in an associate	18	1,860	1,819	–	–
Other financial assets	19	7,439	5,370	–	–
Deferred tax assets	10	933	436	–	–
Total non-current assets		26,232	23,083	32,734	32,734
Current assets					
Inventories	20	45	26	–	–
Trade and other receivables	22	20,061	17,346	7,848	5,886
Other assets	23	320	339	4	4
Cash and cash equivalents	24	7,391	9,055	1,231	768
Total current assets		27,817	26,766	9,083	6,658
Total assets		54,049	49,849	41,817	39,392
EQUITY AND LIABILITIES					
Equity					
Share capital	25	31,948	31,948	31,948	31,948
Retained earnings		13,429	13,062	8,784	6,644
Foreign currency translation reserve (adverse balance)		(8,322)	(9,126)	–	–
Equity, attributable to owners of the company		37,055	35,884	40,732	38,592
Non-controlling interests		3,151	2,405	–	–
Total equity		40,206	38,289	40,732	38,592
Non-current liability					
Deferred tax liabilities	10	305	500	–	–
Total non-current liability		305	500	–	–
Current liabilities					
Income tax payable		359	241	–	–
Trade and other payables	26	11,604	8,818	1,085	800
Other liabilities	27	1,575	2,001	–	–
Total current liabilities		13,538	11,060	1,085	800
Total liabilities		13,843	11,560	1,085	800
Total equity and liabilities		54,049	49,849	41,817	39,392

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Total equity	Attributable to parent sub-total	Share capital	Retained earnings	Foreign currency translation reserve	Non-controlling interests
	$'000	$'000	$'000	$'000	$'000	$'000
Current year:						
Opening balance at 1 January 2017	38,289	35,884	31,948	13,062	(9,126)	2,405
Changes in equity:						
Total comprehensive income for the year	3,187	1,970	–	1,166	804	1,217
Dividends paid (Note 12)	(1,270)	(799)	–	(799)	–	(471)
Closing balance at 31 December 2017	40,206	37,055	31,948	13,429	(8,322)	3,151
Previous year:						
Opening balance at 1 January 2016	33,641	32,273	31,948	8,527	(8,202)	1,368
Changes in equity:						
Total comprehensive income/(loss) for the year	5,447	4,410	–	5,334	(924)	1,037
Dividends paid (Note 12)	(799)	(799)	–	(799)	–	–
Closing balance at 31 December 2016	38,289	35,884	31,948	13,062	(9,126)	2,405

Company	Total equity	Share capital	Retained earnings
	$'000	$'000	$'000
Current year:			
Opening balance at 1 January 2017	38,592	31,948	6,644
Changes in equity:			
Total comprehensive income for the year	2,939	–	2,939
Dividends paid (Note 12)	(799)	–	(799)
Closing balance at 31 December 2017	40,732	31,948	8,784
Previous year:			
Opening balance at 1 January 2016	37,345	31,948	5,397
Changes in equity:			
Total comprehensive income for the year	2,046	–	2,046
Dividends paid (Note 12)	(799)	–	(799)
Closing balance at 31 December 2016	38,592	31,948	6,644

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	2016
	$'000	$'000
<u>Cash flows from operating activities</u>		
Profit before tax	2,814	7,409
Adjustments for:		
Interest income	(154)	(259)
Fair value loss/(gain) on investments	351	(2,941)
Amortisation of intangible assets	540	636
Depreciation of plant and equipment	512	501
Impairment loss on plant and equipment	–	31
Impairment loss on intangible assets	–	100
Decrease in fair value of investment property	–	271
Loss on disposal of plant and equipment	1	1
Allowance for impairment on trade receivables	6	–
Write-down of inventories	1	20
Inventories written off	3	–
Reversal of payables	(38)	–
Share of loss from an equity-accounted joint venture	–	3
Operating cash flows before changes in working capital	4,036	5,772
Inventories	(29)	11
Trade and other receivables	(2,721)	(11,036)
Other assets	18	(21)
Trade and other payables	2,920	4,883
Other liabilities	(426)	1,480
Net cash flows from operations	3,798	1,089
Income taxes paid	(1,171)	(680)
Net cash flows from operating activities	2,627	409
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(950)	(448)
Investment in an associate	(305)	(488)
Investment in other financial assets	(2,445)	(2,243)
Payments for development costs	(270)	(514)
Interest received	154	259
Net cash flows used in investing activities	(3,816)	(3,434)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(799)	(799)
Dividends paid to non-controlling interests	(471)	–
Cash restricted in use	(1,139)	(628)
Net cash flows used in financing activities	(2,409)	(1,427)
Net decrease in cash and cash equivalents	(3,598)	(4,452)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	8,096	13,110
Effect of exchange rate changes on cash and cash equivalents	768	(562)
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 24A)	5,266	8,096

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. General

Captii Limited (the "company") is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and its subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of investment holding and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

The registered office and principal place of business of the company is located at 140 Paya Lebar Road, #10-14 AZ@Paya Lebar, Singapore 409015.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note to the financial statements, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from service contracts is recognised in accordance with the accounting policy on service contracts (see below).

Interest income is recognised using the effective interest method.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Service contracts

When the outcome of a service contract can be estimated reliably, the revenue and costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year, as measured by the portion that contract costs incurred for work performed to date bear to the estimated total contract costs method or the completion of a physical proportion of the contract work. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project.

Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs that are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimatable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Certain work-in-progress projects have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

When the outcome of a service contract cannot be estimated reliably: (a) revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; and (b) contract costs are recognised as an expense in the period in which they are incurred.

Employee benefits

Certain subsidiaries have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to profit or loss in the period to which they relate. This plan is contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore and Employees Provident Fund in Malaysia which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency of the company is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at the end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority and entity. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Computers, telecommunications, research and development equipment	–	3 to 5 years
Office equipment, furniture, motor vehicle and renovation	–	5 years

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Plant and equipment (cont'd)

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Investment property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs, the fair value model is used to measure the investment property at fair value on the existing use basis to reflect the actual market state and circumstances as of the end of the reporting year, not as of either a past or future date. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the reporting year in which it arises. The fair values are measured periodically on a systematic basis annually by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Development costs	-	5 years
Intellectual property	-	5 years

Development Costs – Development costs are typically internally generated intangible assets. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) therefore it is the intention of management to complete the intangible asset and use or sell it.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Joint arrangement – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is a party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with FRS 28 Investments in Associates and Joint Ventures.

In the consolidated financial statements, the accounting for investment in a joint venture is on the equity method. An investment in a joint venture includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of an investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

An investment in an associate is accounted for at fair value through profit or loss financial assets in accordance with FRS 39 (see note on financial assets below).

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the company. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

4. Available-for-sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction that form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: As at end of the reporting year, there were no financial liabilities classified in this category.

2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Estimated impairment of goodwill

An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 15C. Actual outcomes could vary from these estimates. The carrying amount of the group's goodwill as at the end of the reporting year was $10,583,000 (2016: $10,295,000).

Impairment of intangible assets other than goodwill

An assessment is made of the carrying value of identifiable intangible assets, annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. Actual outcomes could vary from these estimates. The carrying amount of intangible assets other than goodwill as at the end of the reporting year was $1,063,000 (2016: $1,287,000).

Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established plan. Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of profits. Should a project fail to substantiate its estimated feasibility or life cycle, material development costs may be required to be written-off in future periods. The carrying amount has been disclosed in Note 15.

Useful lives of plant and equipment

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the class of assets as at the end of the reporting year affected by the assumption was $1,694,000 (2016: $1,288,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Allowance for doubtful accounts

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount of trade and other receivables as at the end of the reporting year was $20,061,000 (2016: $17,346,000).

Contract work-in-progress

On long-term contracts, revenues are recorded on the stage of completion basis. The stage of completion is determined by dividing the cumulative costs incurred as at the end of the reporting year by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete contracts in progress, and in making such estimates, judgments are required to evaluate contingencies such as potential variances in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. These estimates are based on management's business practices as well as its historical experience, and management regularly reviews underlying estimates of project profitability. The net carrying amount of the group's contract work-in-progress as at the end of the reporting year was $2,347,000 (2016: -$1,492,000).

Measurement of impairment of subsidiaries

When a subsidiary is in net equity deficit and has suffered operating losses, the recoverable amount of the investee is estimated to assess whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require adjustments to the carrying amount of the investments in subsidiaries. The carrying amount of the company's specific assets at the end of the reporting year affected by the assumptions is $11,000,000 (2016: $11,000,000).

Fair value of unquoted investments

If a financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires the selection among a range of different valuation methodologies, making estimates about expected future cash flows and discount rates. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. Where cost is used as an estimate of fair value, significant judgement is required where management considers various indicators where cost might not be representative of fair value. The carrying amount of the classes of assets as at the end of the reporting year was $9,299,000 (2016: $7,189,000).

Income tax amounts

The entity recognises tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a group:

Name	Relationship	Country of incorporation
Worldwide Matrix Sdn Bhd	Immediate parent company	Malaysia
Advance Synergy Berhad	Ultimate parent company	Malaysia

Advance Synergy Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties. The effects on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

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

Significant related party transactions:

	Group	
	2017	2016
	$'000	$'000
Related companies		
Purchase of service	16	16
Rental and maintenance expense	229	250

3C. Key management compensation:

	Group	
	2017	2016
	$'000	$'000
Salaries and other short-term employee benefits	1,948	2,184

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2017	2016
	$'000	$'000
Remuneration of directors of the company and subsidiaries	412	571
Fees to directors of the company	84	84

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

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3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balance arising from sales and purchase of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Related companies	
	2017	2016
	$'000	$'000
Group		
Other receivables:		
Balance at beginning of the year - net	66	69
Foreign exchange adjustments	2	(3)
Balance at end of the year - net	68	66
Presented in the statement of financial position as follows:		
Other receivables - ultimate parent company (Note 22)	99	96
Other payables - ultimate parent company (Note 26)	(15)	(14)
Other payables - related companies (Note 26)	(16)	(16)
	68	66

	Subsidiaries	
	2017	2016
	$'000	$'000
Company		
Other receivables:		
Balance at beginning of the year - net	6,330	5,774
Amounts received and settlement of liabilities on behalf of the company	(2,333)	–
Amounts paid out and settlement of liabilities on behalf by another party	3,986	556
Balance at end of the year - net	7,983	6,330
Presented in the statement of financial position as follows:		
Other receivables (Note 22)	8,829	6,867
Other payables (Note 26)	(846)	(537)
	7,983	6,330

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, the geographical areas and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the group.

For management purposes the reporting entity is organised into the three major strategic operating segments that offer different products and services. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

* Unifiedcomms – Segment for content-driven mobile value-added services (“VAS”), messaging and signaling systems, solutions and managed services.

* GlobeOSS – Segment for mobile network operation support systems, solutions and managed services.

* Captii Ventures – Segment for strategic investment in early and late-stage technology ventures.

* Others – Segment for investment holding and operational headquarters of the group.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

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4. Financial information by operating segments (cont'd)

4B. Profit or loss and assets and liabilities and reconciliations

2017	Unifiedcomms	GlobeOSS	Captii Ventures	Others	Elimination	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss						
Revenue by segment						
- External	11,719	13,088	–	–	–	24,807
- Inter-segment	–	519	–	7,107	(7,626)	–
	11,719	13,607	–	7,107	(7,626)	24,807
Cost of sales	(7,221)	(9,098)	–	(48)	2,901	(13,466)
Gross profit	4,498	4,509	–	7,059	(4,725)	11,341
Other items of income:						
Interest income	67	78	–	9	–	154
Other gains	115	64	6	50	(183)	52
Other items of expenses:						
Technical support expenses	(1,122)	(1,072)	–	(1,093)	218	(3,069)
Distribution costs	(732)	(416)	–	(454)	312	(1,290)
Administrative expenses	(1,888)	(544)	(465)	(1,291)	784	(3,404)
Other losses	(261)	(6)	(639)	(133)	69	(970)
Profit/(loss) before tax	677	2,613	(1,098)	4,147	(3,525)	2,814
Income tax expense	(189)	(302)	195	(92)	(126)	(514)
Profit/(loss), net of tax	488	2,311	(903)	4,055	(3,651)	2,300
Profit/(loss), net of tax, attributable to:						
Owners of the company	488	1,177	(903)	4,055	(3,651)	1,166
Non-controlling interests	–	1,134	–	–	–	1,134
Profit/(loss), net of tax	488	2,311	(903)	4,055	(3,651)	2,300
Other information:						
Depreciation of plant and equipment	(516)	(33)	–	(7)	44	(512)
Amortisation of intangible assets	(569)	–	–	–	29	(540)
Fair value loss on investments	–	–	(351)	–	–	(351)
Assets and liabilities and reconciliations						
Segment assets	27,973	16,584	9,300	51,557	(52,298)	53,116
Unallocated assets	295	541	–	83	14	933
Total assets						54,049
Segment liabilities	9,393	10,549	7,547	4,985	(18,936)	13,538
Unallocated liabilities	–	–	305	–	–	305
Total liabilities						13,843
Other segment items						
Capital expenditure:						
- Plant and equipment	1,005	62	–	3	(120)	950
- Development costs	280	–	–	–	(10)	270

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial information by operating segments (cont'd)

4B. Profit or loss and assets and liabilities and reconciliations (cont'd)

2016	Unifiedcomms	GlobeOSS	Captii Ventures	Others	Elimination	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss						
Revenue by segment						
- External	12,277	10,982	–	193	–	23,452
- Inter-segment	–	586	–	5,161	(5,747)	–
	12,277	11,568	–	5,354	(5,747)	23,452
Cost of sales	(6,598)	(7,335)	–	(49)	3,015	(10,967)
Gross profit	5,679	4,233	–	5,305	(2,732)	12,485
Other items of income:						
Interest income	202	57	–	–	–	259
Other gains	92	–	2,942	898	(944)	2,988
Other items of expenses:						
Technical support expenses	(1,199)	(943)	–	(1,133)	149	(3,126)
Distribution costs	(833)	(360)	–	(455)	258	(1,390)
Administrative expenses	(1,979)	(499)	(51)	(1,321)	533	(3,317)
Other losses	(227)	(161)	(1)	(267)	169	(487)
Share of results from an equity-accounted joint venture	(3)	–	–	–	–	(3)
Profit/(loss) before tax	1,732	2,327	2,890	3,027	(2,567)	7,409
Income tax expense	(518)	(38)	(500)	(86)	192	(950)
Profit/(loss), net of tax	1,214	2,289	2,390	2,941	(2,375)	6,459
Profit/(loss), net of tax attributable to:						
Owners of the company	1,214	1,164	2,390	2,941	(2,375)	5,334
Non-controlling interests	–	1,125	–	–	–	1,125
Profit/(loss), net of tax	1,214	2,289	2,390	2,941	(2,375)	6,459
Other information:						
Impairment loss on:-						
- Plant and equipment	(39)	–	–	–	8	(31)
- Intangible assets	(114)	–	–	–	14	(100)
- Investment property	–	–	–	(271)	–	(271)
Depreciation of plant and equipment	(494)	(33)	–	(13)	39	(501)
Amortisation of intangible assets	(669)	(1)	–	–	34	(636)
Fair value gain on investments	–	–	2,941	–	–	2,941
Assets and liabilities and reconciliations						
Segment assets	36,657	13,289	7,192	55,923	(63,648)	49,413
Unallocated assets	341	–	–	81	14	436
Total assets						49,849
Segment liabilities	16,494	7,909	4,340	12,691	(30,374)	11,060
Unallocated liabilities	–	–	500	–	–	500
Total liabilities						11,560
Other segment items						
Capital expenditure:						
- Plant and equipment	464	39	–	2	(57)	448
- Development costs	573	–	–	–	(59)	514

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial information by operating segments (cont'd)

4C. Geographical segments

The group's geographical segments comprise of South East Asia, South Asia, Middle East and Africa and Others:

- South East Asia – the group is headquartered in Singapore, and has operations in Singapore and other South East Asian countries. The operations in this area are principally the provision of telecommunications products and customised solutions for the telecommunications industry, the provision of global roaming quality and service management solutions; and

- South Asia, Middle East and Africa and Others – the operations in these areas are principally the provision of telecommunications products and customised solutions for the telecommunications industry.

Others represent China, North America and other countries outside of South East Asia, South Asia, Middle East and Africa.

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The total assets and non-current assets exclude any financial instruments and deferred tax assets.

2017 – Group	Revenue	Total assets	Non-current assets	Capital expenditure
	$'000	$'000	$'000	$'000
South East Asia (#)	23,546	49,675	25,145	1,170
South Asia	800	507	154	50
Middle East and Africa	445	133	–	–
Others	16	2,801	–	–
	24,807	53,116	25,299	1,220

	Revenue	Total assets	Non-current assets	Capital expenditure
	$'000	$'000	$'000	$'000
(#) South East Asia included				
Singapore	663	10,105	8,285	9
Malaysia	20,533	36,966	15,850	1,161
Others	2,350	2,604	1,010	–
	23,546	49,675	25,145	1,170

	Unifiedcomms	GlobeOSS	Others	Total
	$'000	$'000	$'000	$'000
External sales				
South East Asia	10,474	13,072	–	23,546
South Asia	800	–	–	800
Middle East and Africa	445	–	–	445
Others	–	16	–	16
	11,719	13,088	–	24,807

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. Financial information by operating segments (cont'd)

4C. Geographical segments (cont'd)

2016 – Group	Revenue	Total assets	Non-current assets	Capital expenditure
	$'000	$'000	$'000	$'000
South East Asia (#)	21,751	46,803	22,415	853
South Asia	833	786	232	109
Middle East and Africa	851	198	–	–
Others	17	1,626	–	–
	23,452	49,413	22,647	962

	Revenue	Total assets	Non-current assets	Capital expenditure
	$'000	$'000	$'000	$'000
(#) South East Asia included				
Singapore	762	8,162	6,187	2
Malaysia	16,440	35,813	15,075	788
Others	4,549	2,828	1,153	63
	21,751	46,803	22,415	853

	Unifiedcomms	GlobeOSS	Others	Total
	$'000	$'000	$'000	$'000
External sales				
South East Asia	10,593	10,965	193	21,751
South Asia	833	–	–	833
Middle East and Africa	851	–	–	851
Others	–	17	–	17
	12,277	10,982	193	23,452

4D. Contract type

	2017			2016		
Group	System sales	Managed services	Total	System sales	Managed services	Total
	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	11,541	13,266	24,807	11,208	12,244	23,452
Gross profit	4,105	7,236	11,341	5,102	7,383	12,485
Gross profit margin	35.6%	54.5%	45.7%	45.5%	60.3%	53.2%

The group's revenue can be divided into revenue generated from two types of contracts, as described below:

(a) System sales – this refers to contracts that involve the outright purchase by customers of systems comprising the group's products and technologies, and where these systems are in turn delivered as turnkey solutions. The scope of work for a system sale contract includes system design, implementation, testing and commissioning services.

(b) Managed services – this refers to contracts that involve the provision of both systems comprising the group's products and technologies as well as the group's professional services, on a recurring, revenue sharing, software-as-a-service, pay-per-use or monthly or quarterly fixed and variable fee basis. Also treated as a managed service contract are system maintenance and technical support contracts with existing customers of the group, and an operating lease with a lessee.

Revenue of $9,709,000 (2016: $4,829,000) and $3,941,000 (2016: $4,412,000) are derived from two (2016: two) external customers. The former is attributable to the Unifiedcomms and GlobeOSS business segments while the latter is attributable to the Unifiedcomms business segment.

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5. Revenue

	Group	
	2017	2016
	$'000	$'000
Managed services	13,266	12,051
System sales	11,541	11,208
Rental income	–	193
Total revenue	24,807	23,452

6. Interest income

	Group	
	2017	2016
	$'000	$'000
Interest income from banks	154	259

7. Other gains and (other losses)

	Group	
	2017	2016
	$'000	$'000
Other gains:		
Reversal of payables	38	–
Fair value gain on investments (Notes 18 and 19)	–	2,941
Others	14	47
Total other gains	52	2,988
Other losses:		
Impairment loss on plant and equipment	–	(31)
Impairment loss on intangible assets	–	(100)
Allowance for impairment on trade receivables	(6)	–
Decrease in fair value of investment property	–	(271)
Inventories written-off	(3)	–
Inventories written down	(1)	(20)
Foreign exchange loss, net	(590)	(41)
Loss on disposal of plant and equipment	(1)	(1)
Fair value loss on investments (Notes 18 and 19)	(351)	–
Others	(18)	(23)
Total other losses	(970)	(487)

NOTES TO THE FINANCIAL STATEMENTS

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8. Employee benefits expense

	Group 2017 $'000	Group 2016 $'000
Short term employee benefits expense	4,906	5,062
Contribution to defined contribution plan	662	636
Other benefits	540	587
Total employee benefits expense	6,108	6,285
Charged to profit or loss included in:		
Cost of sales	883	1,013
Technical support expenses	2,741	2,743
Distribution costs	1,124	1,140
Administrative expenses	1,360	1,389
Total employee benefits expense	6,108	6,285

9. Items in profit or loss

In addition to the profit or loss line items disclosed elsewhere in the notes to the financial statements, these items include the following expenses:

	Group 2017 $'000	Group 2016 $'000
Audit fees to the independent auditors of the company	110	105
Audit fees to the other independent auditors	32	33
Other fees to the independent auditors of the company	14	12
Other fees to the other independent auditors	12	10

10. Income tax

10A. Components of tax expense/(income) recognised in profit or loss

	Group 2017 $'000	Group 2016 $'000
Current tax expense:		
Current tax expense	1,137	692
Overprovision in prior years	(13)	(14)
Withholding tax expense	63	245
Subtotal	1,187	923
Deferred tax (income)/expense:		
Deferred tax (income)/expense	(673)	27
Total income tax expense	514	950

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. Income tax (cont'd)

10A. Components of tax expense recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the company is situated. The income tax in profit or loss varied from the income tax amount determined by applying the Singapore income tax rate of 17.0% (2016: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017	2016
	$'000	$'000
Profit before tax	2,814	7,409
Income tax expense at the above rate	478	1,260
Effect of different tax rates in different countries	259	286
Expenses not deductible for tax purposes	447	423
Pioneer status tax exemption	(223)	(962)
Previously unrecognised deferred tax assets recognised this year	(497)	(288)
Overprovision in prior years	(13)	(14)
Withholding tax	63	245
Total income tax expense	514	950

There are no income tax consequences of dividends to owners of the company.

Two subsidiaries of the group in Malaysia, GlobeOSS Sdn Bhd and Unified Communications (VAS) Sdn Bhd, have been granted pioneer status as Multimedia Super Corridor ("MSC") companies under the Malaysia Promotion of Investment Act, 1986. The benefits to a company having MSC status include a five year pioneer status tax exemption on profits generated from the MSC qualifying activities during the same period. The MSC status of GlobeOSS Sdn Bhd after being extended once, expired on 14 January 2017. The MSC status of Unified Communications (VAS) Sdn Bhd commenced from 21 December 2015 and will expire on 20 December 2020.

In addition, the company's wholly-owned subsidiary company, Unified Communications (OHQ) Sdn Bhd received the Malaysia Industry Development Authority's approval in October 2009 of its Operational Headquarters ("OHQ") status to provide certain approved OHQ services to the group entities. This OHQ status is granted for 10 years with certain tax incentives which will expire in 2019.

10B. Deferred tax (income)/expense recognised in profit or loss

	Group	
	2017	2016
	$'000	$'000
Excess of book value over tax depreciation of plant and equipment	15	(10)
Unutilised tax losses	(8)	(276)
Provisions	(41)	(188)
Difference in tax and accounting profit recognition for managed service and system sales contracts	(424)	–
Fair value (losses)/gains on investments at fair value through profit or loss	(195)	500
Others	(20)	1
Total deferred tax (income)/expense recognised in profit or loss	(673)	27

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. Income tax (cont'd)

10C. Deferred tax balance in the statements of financial position

	Group	
	2017	2016
	$'000	$'000
From deferred tax assets/(liabilities) recognised in profit or loss		
Excess of net book value of plant and equipment over tax values	(21)	(6)
Unutilised tax losses	284	276
Provisions	229	188
Difference in tax and accounting profit recognition for managed service and system sales contracts	424	–
Fair value gains on investments at fair value through profit or loss	(305)	(500)
Others	5	(15)
Foreign exchange adjustments	12	(7)
Net balance	628	(64)
Presented in the statements of financial position as follows:		
Deferred tax assets	933	436
Deferred tax liabilities	(305)	(500)
Net balance	628	(64)

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries and associate are insignificant.

10D. Unrecognised deferred tax assets

	2017		2016	
Group	Gross amount	Tax effect	Gross amount	Tax effect
	$'000	$'000	$'000	$'000
Unutilised tax losses	11,884	2,137	12,246	2,255
Unutilised capital allowances	2,807	458	3,234	512
	14,691	2,595	15,480	2,767

No deferred tax asset has been recognised in respect of the above balance as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carried forwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by laws of the countries in which the entities in the group operates, including the retention of majority shareholders as defined.

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11. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2017	2016
	$'000	$'000
Profit, net of tax attributable to owners of the company	1,166	5,334

	Number of shares	
	2017	2016
	'000	'000
Weighted average number of equity shares	31,957	31,957

The weighted average number of equity shares refers to share in circulation during the reporting year.

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the company by the above weighted average number of ordinary shares.

Diluted earnings per share for the reporting years are computed using the same basis as basic earnings per share as there are no potential dilutive ordinary shares.

12. Dividends on equity shares

	Group and Company			
	Rate per share–dollars			
	2017	2016	2017	2016
	$	$	$'000	$'000
Interim exempt (1-tier) dividend paid	0.025	0.025	799	799

Dividend to the non-controlling interests

An interim exempt (1-tier) dividend of $471,000 (2016: Nil) was paid by a Malaysia subsidiary to the non-controlling interest.

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13. Plant and equipment

Group	Computers, telecommunications, research and development equipment	Office equipment, furniture, motor vehicle and renovation	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2016	7,724	284	8,008
Additions	444	4	448
Disposals	(4)	–	(4)
Written-off	(22)	(7)	(29)
Foreign exchange adjustments	(83)	(22)	(105)
At 31 December 2016	8,059	259	8,318
Additions	818	132	950
Disposals	(16)	(3)	(19)
Written-off	(4)	(21)	(25)
Foreign exchange adjustments	(16)	11	(5)
At 31 December 2017	8,841	378	9,219
Accumulated depreciation and impairment loss:			
At 1 January 2016	6,518	87	6,605
Depreciation for the year	461	58	519
Disposals	(4)	–	(4)
Impairment for the year	31	–	31
Written-off	(22)	(7)	(29)
Foreign exchange adjustments	(73)	(19)	(92)
At 31 December 2016	6,911	119	7,030
Depreciation for the year	465	66	531
Disposals	(16)	(2)	(18)
Written-off	(4)	(21)	(25)
Foreign exchange adjustments	(4)	11	7
At 31 December 2017	7,352	173	7,525
Carrying value:			
At 1 January 2016	1,206	197	1,403
At 31 December 2016	1,148	140	1,288
At 31 December 2017	1,489	205	1,694

The impairment loss on plant and equipment of $31,000 in previous reporting year 2016 was related to certain managed services contracts which have produced lower than expected profitability and returns.

Allocation of depreciation expense:

	Group	
	2017	2016
	$'000	$'000
Cost of sales	424	417
Technical support expenses	53	58
Distributions costs	7	9
Administrative expenses	28	17
Depreciation expenses recognised in profit or loss	512	501
Capitalised under deferred development cost (Note 15)	19	18
Total	531	519

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14. Investment property

	Group 2017 $'000	Group 2016 $'000
At fair value:		
Balance at beginning of the year	2,588	2,940
Decrease in fair value included in profit or loss under other losses (Note 7)	–	(271)
Foreign exchange adjustment	72	(81)
Balance at end of the year	2,660	2,588
Rental income from investment property (Note 5)	–	193
Direct operating expenses arising from investment property that generated rental income during the reporting year	–	(49)
Direct operating expenses arising from investment property that did not generate rental income during the reporting year	(48)	–

As at 31 December 2017, the strata title of the investment property has not been issued by Department of Director General of Lands and Mines in Malaysia.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

The investment property was leased out in previous reporting years, and the lease was terminated in November 2016 upon expiry of the lease term.

The fair value of the investment property was measured in December 2017 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by C H Williams Talhar & Wong, a firm of independent professional valuers, which hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the assets is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and information about the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at Lot 3A-5-1, 5th Floor, Block 3A, Plaza Sentral, 50470, Kuala Lumpur, Malaysia
Fair value:	$2,660,000 (2016: $2,588,000)
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs:	Price per square foot. $330 (2016: $321)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by $266,000 (2016: $259,000); higher by $266,000 (2016: $259,000).

There were no transfers between Level 1 and 2 during the year. The increase in fair value is due to foreign exchange adjustments during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

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15. Intangible assets

Group	Deferred development costs (under development)	Deferred development costs (completed)	Intellectual property	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2016	216	8,054	1,740	10,628	20,638
Additions during the year	514	–	–	–	514
Capitalisation of development equipment (Note 13)	18	–	–	–	18
Reclassification	(573)	573	–	–	–
Write off	–	(537)	–	–	(537)
Foreign exchange adjustments	(19)	(684)	(55)	(333)	(1,091)
At 31 December 2016	156	7,406	1,685	10,295	19,542
Additions during the year	270	–	–	–	270
Capitalisation of development equipment (Note 13)	19	–	–	–	19
Reclassification	(324)	324	–	–	–
Foreign exchange adjustments	16	775	47	288	1,126
At 31 December 2017	137	8,505	1,732	10,583	20,957
Accumulated amortisation and impairment loss:					
At 1 January 2016	–	6,758	1,740	–	8,498
Amortisation for the year	–	636	–	–	636
Impairment during the year	–	100	–	–	100
Write off	–	(537)	–	–	(537)
Foreign exchange adjustments	–	(682)	(55)	–	(737)
At 31 December 2016	–	6,275	1,685	–	7,960
Amortisation for the year	–	540	–	–	540
Foreign exchange adjustments	–	764	47	–	811
At 31 December 2017	–	7,579	1,732	–	9,311
Carrying value:					
At 1 January 2016	216	1,296	–	10,628	12,140
At 31 December 2016	156	1,131	–	10,295	11,582
At 31 December 2017	137	926	–	10,583	11,646

The amortisation of intangible expenses is included in cost of sales.

15A. Deferred development costs

Deferred development cost mainly comprises staff costs, operating expenses and depreciation expenses for the development of the group's proprietary mobile software and has an average remaining amortisation period of 2 years (2016: 2 years).

15B. Intellectual property

Intellectual property comprises rights and titles relating to mobile software.

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15. Intangible assets (cont'd)

15C. Goodwill

Goodwill acquired through business combination has been allocated to Unified Communications Pte Ltd and its subsidiaries (see Note 16) and Ahead Mobile Sdn Bhd for impairment testing purpose. The carrying amount is disclosed above.

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of the CGU have been measured based on the value in use method.

The value in use was determined by management using discounted cash flow valuation technique. The key assumptions used for value in use calculations, which are unobservable inputs, are as follows:

	2017	2016
Unobservable inputs		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU	12%	13.98%
Growth rates based on management estimate forecasts and not exceeding the average long-term growth rate for the relevant markets	2%	2%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

The value in use is a recurring fair value measurement (Level 3).

No impairment allowance was recognised because the carrying amount of CGU was lower than the recoverable amount.

Management believes that any reasonably possible change in the key assumptions on which this division's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. Actual outcomes could vary from these estimates. If the estimated pre-tax discount rate applied to the discounted cash flows had been increased by 3% with other variables held constant, it would not cause the carrying amount to exceed its recoverable amount.

16. Investments in subsidiaries

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares at cost	32,734	32,734
Analysis of above amount denominated in non-functional currency:		
Malaysian Ringgit	21,734	21,734

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16. Investments in subsidiaries (cont'd)

The subsidiaries wholly owned by the company and the group are listed below:

Name of subsidiaries, principal activities, country of incorporation and place of operations	**Cost in books of the company 2017**	**2016**
	$'000	**$'000**
Held by the company:		
Unified Communications Pte Ltd [(a)] Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry. Singapore	11,000	11,000
Unified Communications Sdn Bhd [(b)] Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry. Malaysia	21,526	21,526
Unified Communications (OHQ) Sdn Bhd [(b)] Provisions of management services. Malaysia	208	208
Unified Communications (OSS) Sdn Bhd [(b)] Investment holding. Malaysia	*	*
Postpay Sdn Bhd [(b)] (formerly known as Mobilization Sdn Bhd) Provision of telecommunications products, technology and customized solutions to telecommunications operators, service providers and enterprises Malaysia	*	*
Unified Assets Sdn Bhd [(b)] Investment holding. Malaysia	*	*
Captii Ventures Pte Ltd [(a)] Undertake investment in technology companies. Singapore	*	*
	32,734	32,734

Name of subsidiaries, principal activities, country of incorporation and place of operations	**Effective equity held by the Group 2017**	**2016**
	%	**%**
Held by Unified Communications Sdn Bhd		
Unified Communications (Tech) Pte Ltd [(a)] Distribution of information technology and telecommunications products. Singapore	100	100
Ahead Mobile Sdn Bhd [(b)] Software engineering, system integration, project management and maintenance and support services for the telecommunications industry. Malaysia	100	100
Held by Unified Communications Pte Ltd		
Unified Communications (VAS) Sdn Bhd [(b)] Provision of telecommunications products, technology and customized solutions to telecommunications operators, service providers and enterprises. Malaysia	100	100
Adzentrum Sdn Bhd [(b)] Dormant. Malaysia	100	100
Unified Communications (Private) Limited [(c)] Provision of telecommunications products, technology and customized solutions to telecommunications operators, service providers and enterprises. Pakistan	100	100

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16. Investments in subsidiaries (cont'd)

Name of subsidiaries, principal activities, country of incorporation and place of operations	Effective equity held by the Group 2017	2016
	%	%
The subsidiaries that have non-controlling interests are listed below:		
Held by Unified Communications (OSS) Sdn Bhd		
GlobeOSS Sdn Bhd [(b)] Provision of global roaming quality of services management solutions. Malaysia	51	51
GlobeOSS Pte Ltd [(a)] Provision of global roaming quality of services management solutions. Singapore	51	51
Held by GlobeOSS Pte Ltd		
GlobeOSS (Brunei) Sdn Bhd [(d)] Provision of global roaming quality of services management solutions. Brunei Darussalam	51	51

*Amount less than $1,000.

(a) Audited by RSM Chio Lim LLP.

(b) Audited by RSM Malaysia, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by BDO Ebrahim & Co., Pakistan, not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) Audited by WKA and Associates, Brunei Darussalam, not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

As required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

The summarised financial information of GlobeOSS Sdn Bhd, GlobeOSS Pte Ltd and GlobeOSS (Brunei) Sdn Bhd, which have non-controlling interests ("NCI") that are material to the group, not adjusted for the percentage ownership held by the group, is as follows:

	Group 2017	2016
	$'000	$'000
Profit allocated to NCI of the subsidiaries during the reporting year	1,134	1,125
Accumulated NCI of the subsidiaries at the end of the reporting year	3,151	2,405
The summarised financial information of the subsidiaries (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations):		
Dividends paid to NCI	471	–
Non-current assets	657	85
Current assets	16,321	12,731
Current liabilities	(10,548)	(7,908)
Revenue	13,607	11,568
Profit for the year	2,314	2,296
Total comprehensive income for the year	2,397	2,208

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17. Investment in a joint venture

	Group	
	2017	2016
	$'000	$'000
Movement in carrying value:		
Balance at beginning of the year	–	3
Share of loss for the year	–	(3)
Balance at end of the year	–	–
Carrying value comprising:		
Unquoted shares at cost	583	583
Allowance for impairment	(232)	(232)
Share of post-acquisition losses, net of dividends received	(351)	(351)
	–	–

The listing and information on the joint venture is given below:

Name of joint venture, principal activities, country of incorporation and place of operations	Cost in books of the company		Effective equity held by the group	
	2017	2016	2017	2016
	$'000	$'000	%	%
Held by Unified Communications Pte Ltd:				
Unified Telecom Private Limited [(a)] Provision of telecommunications products, services and customized solutions. India	583	583	50	50

(a) The statutory reporting year end of the joint venture is 31 March. The unaudited management financial statements for the period from 1 January 2017 to 31 December 2017 of the joint venture have been used for equity accounting since it is not significant to the group. Also see Note 31.

The financial statements of the joint venture is not material to the group.

18. Investment in an associate

	Group	
	2017	2016
	$'000	$'000
Movement in carrying value:		
Fair value at beginning of the year	1,819	–
Additions	305	488
Reclassification (Note 19)	–	207
(Decrease)/increase in fair value through profit or loss included under (other losses) and other gains (Note 7)	(140)	1,124
Foreign exchange adjustments	(124)	–
Fair value at end of the year	1,860	1,819

Investment in an associate represents investment of preference shares in OOPA Pte Ltd, representing a 33% (2016: 32%) in OOPA on a fully convertible basis.

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18. Investment in an associate (cont'd)

The listing of and information on the associate is given below:

Name of associate, country of incorporation, place of operations, principal activities	Percentage of equity held upon conversion 2017	2016
	%	%
OOPA Pte Ltd Provision of mobile credits top-up services with loyalty rewards. Singapore	33	32

The associate is not considered material to the group. It is not meaningful to present the summarised financial information as the investment in associate is accounted as fair value through profit or loss ("FVTPL") financial assets in accordance with FRS 39.

18A. Disclosures relating to investments

The information gives a summary of the significant sector concentrations within the investment portfolio including Level 1, 2 and 3 securities:

		Group	
	Level	2017	2016
		$'000	$'000
Enterprise Application Technology			
Unquoted convertible preference shares in Singapore	3	1,860	1,819
Total investment in associate		1,860	1,819

18B. Fair value measurements (Level 3) recognised in the statement of financial position

See Note 19C for the valuation methodologies.

19. Other financial assets

	Group	
	2017	2016
	$'000	$'000
Balance is made up of:		
Investments at fair value through profit or loss ("FVTPL")	7,439	5,370
Analysis of amounts denominated in non-functional currency:		
United States Dollars	3,704	1,823
Malaysian Ringgit	191	178

19A. Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

	Group	
	2017	2016
	$'000	$'000
Movements during the year:		
Fair value at beginning of the year	5,370	1,517
Additions	2,445	2,243
Reclassification (Note 18)	–	(207)
(Decrease)/increase in fair value through profit or loss included under (other losses) and other gains (Note 7)	(211)	1,817
Foreign exchange adjustments	(165)	–
Fair value at end of the year	7,439	5,370

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19. Other financial assets (cont'd)

19B. Disclosures relating to investments

The information gives a summary of the significant sector concentrations within the investment portfolio including Level 1, 2 and 3 securities:

		Group	
	Level	2017	2016
		$'000	$'000
Enterprise Application Technology			
Unquoted convertible preference shares in Singapore	3	1,174	276
Unquoted convertible loan notes in Singapore	3	3,295	3,368
Unquoted convertible preference shares in Malaysia	3	99	78
Unquoted convertible loan notes in Malaysia	3	92	100
Unquoted convertible preference shares in Indonesia	3	1,927	716
Marketplace Technology			
Unquoted convertible preference shares in Singapore	3	667	696
Unquoted convertible preference shares in Malaysia	3	185	136
Total investments at FVTPL		7,439	5,370

19C. Fair value measurements (Level 3) recognised in the statement of financial position

In the previous reporting year, the group has adopted the following valuation methodologies in estimating the fair values of the investments:

(a) Cost approach: This is applied to estimate fair value of companies in very preliminary development stage where revenue forecast is difficult to estimate with any degree of certainty, and assumes the book value or cost of an asset approximates its fair value. Adjustments, such as impairment allowance, are made to assets on a case-by-case basis if this assumption does not hold true.

(b) Recent transaction price: Recent transaction price and other business factors specific to the investee that may impact the investments fair value has been considered to estimate the fair value of the investment.

In the current reporting year, in addition to the above methodologies, the group also adopted the following valuation methodology in estimating the fair value of investments:

Option Pricing Model (OPM): The OPM, which applies the Black-Scholes formula for option pricing, is a generally accepted valuation methodology used in estimating fair values of early stage companies, in particular those with different classes of shares. In applying the OPM to determine the fair value of an investee, management considers terms such as level of seniority among the securities, dividend policy, conversion ratios, and cash allocations of the various stockholders' agreements with the investee that would affect the distributions to each class of equity upon a liquidity event. In addition, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date.

The key assumptions used in applying the Black-Scholes formula in the current reporting year, which are unobservable inputs, are as follows:

Unobservable inputs	2017	Sensitivity of inputs to fair value
Risk free rates (range)	1.69% – 6.12%	Increase/(decrease) of the inputs would result in decrease/(increase) in fair values
Asset volatility (range)	38.02% – 60.0%	
Expected terms (years)	5 to 5.38	

The group has the policy to regularly assess and evaluate the appropriate valuation methodologies in ascertaining the fair value of the investments.

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20. Inventories

	Group	
	2017	2016
	$'000	$'000
Finished goods for resale	45	26
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	351	348
Charge to profit or loss included in other losses (Note 7)	1	20
Used	(16)	(8)
Foreign exchange adjustments	8	(9)
Balance at end of the year	344	351

There are no inventories pledged as security for liabilities.

21. Contract work-in-progress

	Group	
	2017	2016
	$'000	$'000
Aggregate amount of costs incurred and recognised profits to-date on uncompleted contracts	6,453	6,091
Less: Progress payments received and receivable to-date	(4,106)	(7,583)
Net amount due from/(due to) contract customers at end of the year	2,347	(1,492)
Included in the statements of financial position as follows:		
Under trade receivables (Note 22)	3,026	246
Under other liabilities (Note 27)	(679)	(1,738)
	2,347	(1,492)

The contract work-in-progress relates to system sales contracts undertaken by the group for its customers. At the end of the reporting year, amounts included in trade and other receivables arising from service contracts are due for settlement within 12 months.

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22. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables				
Outside parties	15,179	16,125	–	–
Receivables from customers on contracts (Note 21)	3,026	246	–	–
Less: Allowance for impairment	(6)	(25)	–	–
Net trade receivables – subtotal	18,199	16,346	–	–
Other receivables				
Outside parties	1	1	–	–
Less: Allowance for impairment	(1)	(1)	–	–
Subsidiaries (Note 3)	–	–	8,829	6,867
Less: Allowance for impairment	–	–	(981)	(981)
Ultimate parent company (Note 3)	99	96	–	–
Refundable deposits	1,763	904	–	–
Net other receivables – subtotal	1,862	1,000	7,848	5,886
Total trade and other receivables	20,061	17,346	7,848	5,886
Movements in above allowance for outside parties:				
Balance at beginning of the year	26	26	–	–
Charged to profit or loss included in other losses (Note 7)	6	–	–	–
Written-off during the year	(25)	–	–	–
Balance at end of the year	7	26	–	–
Movements in above allowance for other receivables from subsidiaries:				
Balance at beginning of the year			981	1,690
Reversal to profit or loss included in other gains			–	(709)
Balance at end of the year			981	981

23. Other assets

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Prepayments	320	339	4	4

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24. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not restricted in use [(a)]	5,266	8,096	1,231	768
Cash pledged for bank facilities	2,125	959	–	–
	7,391	9,055	1,231	768
Interest earning balances	3,660	5,466	–	–

The rates of interest for the cash on interest earning balances ranged between 1.0% to 3.3% (2016: 2.0% to 3.7%) per annum.

(a) The group has an amount of $196,000 (2016: $234,000) deposited with bank in Pakistan. In accordance with the requirement of Pakistan Foreign Exchange Regulations, the group requires the approval from the State Bank of Pakistan on any foreign remittance.

24A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2017	2016
	$'000	$'000
Amount as shown above	7,391	9,055
Cash pledged for bank facilities	(2,125)	(959)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	5,266	8,096

25. Share capital

Group and Company	Number of shares issued	Share capital
	'000	$'000
Ordinary shares of no par value:		
Balance at beginning and end of the year ended 31 December 2016 and 2017	31,957	31,948

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

In order to maintain its listing on the Singapore Stock Exchange, the company has to have share capital with at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

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25. Share capital (cont'd)

Capital management: (cont'd)

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The group and the company did not have borrowings as at 31 December 2017 and 31 December 2016. Therefore, the debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

26. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade payables				
Outside parties and accrued liabilities	9,555	5,772	–	–
Other payables				
Accrued expenses	1,858	2,675	239	263
Ultimate parent company (Note 3)	15	14	–	–
Deposits to secure services	14	84	–	–
Subsidiaries (Note 3)	–	–	846	537
Related companies (Note 3)	16	16	–	–
Outside parties	146	257	–	–
Other payables – subtotal	2,049	3,046	1,085	800
Total trade and other payables	11,604	8,818	1,085	800

27. Other liabilities

	Group	
	2017	2016
	$'000	$'000
Advance billings to customers	896	263
Due to customers on contracts (Note 21)	679	1,738
	1,575	2,001

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28. Operating lease payment commitments – as lessee

At the end of the reporting year, the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than one year	130	142
Later than one year and not later than five years	46	139
Rental expense for the year	276	235

Operating lease payments represent rentals payable for certain office premises. The lease rental terms are negotiated for an average term of three years.

29. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	$'000	$'000
Commitment to acquire convertible preference shares of investment in other financial assets	583	78

30. Financial instruments: information on financial risks

30A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	7,391	9,055	1,231	768
Loans and receivables	20,061	17,346	7,848	5,886
Financial assets at fair value through profit or loss [(a)]	9,299	7,189	–	–
At end of the year	36,751	33,590	9,079	6,654
Financial liabilities:				
Trade and other payables measured at amortised cost	11,604	8,818	1,085	800

(a) The financial assets at fair value through profit or loss include the investment in an associate which is accounted as fair value through profit or loss financial assets in accordance with FRS 39.

Further quantitative disclosures are included throughout these financial statements.

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30. Financial instruments: information on financial risks (cont'd)

30B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.

(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

(iii) All financial risk management activities are carried out and monitored by senior management staff.

(iv) All financial risk management activities are carried out following acceptable market practices.

(v) Consideration is given to investing in financial instruments in accordance with the investment strategy of the reporting entity.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

The group and company are exposed to currency and interest rate risks. There are no arrangements to reduce such risk exposures through derivatives and other hedging instruments.

30C. Fair value of financial instruments

The analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

30D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2016: 30 to 90 days). But some customers take a longer period to settle the amounts.

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30. Financial instruments: information on financial risks (cont'd)

30D. Credit risk on financial assets (cont'd)

(a) Ageing analysis of the age of trade receivable amounts that are past due but not impaired as at the end of reporting year:

	Group	
	2017	2016
	$'000	$'000
Trade receivables:		
3 to 9 months	2,009	2,092
Over 9 months	–	220
	2,009	2,312

(b) Ageing analysis of trade receivable amounts that are impaired as at the end of reporting year:

	Group	
	2017	2016
	$'000	$'000
Trade receivables:		
Over 9 months	6	25

The allowance which is disclosed in Note 22 on trade receivables is based on individual accounts totalling $6,000 (2016: $25,000) that are determined to be impaired at the end of reporting year. These are not secured.

(c) At end of the reporting year, approximately 49% (2016: 58%) of trade receivables are due from three customers as follows:

	Group	
	2017	2016
	$'000	$'000
Top 1 customer	4,939	3,372
Top 2 customers	8,001	6,589
Top 3 customers	8,950	9,525

Other receivables are normally with no fixed terms and therefore there is no maturity.

30E. Liquidity risk – financial liabilities maturity analysis

There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2016: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

30F. Interest rate risk

The group and the company are not subject to significant interest rate risk exposure.

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30. Financial instruments: information on financial risks (cont'd)

30G. Foreign currency risk

Analysis of amounts denominated in non-functional currency at the end of the reporting year:

	Singapore dollars	US dollars	Euro	Indian Rupee	Brunei dollars	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group:						
2017						
Financial assets:						
Cash and cash equivalents	215	655	29	–	–	899
Trade and other receivables	46	3,437	5	–	264	3,752
Other financial assets	–	3,704	–	–	–	3,704
Total financial assets	261	7,796	34	–	264	8,355
Financial liabilities:						
Trade and other payables	(111)	(3,640)	(220)	–	(136)	(4,107)
Net financial assets/(liabilities)	150	4,156	(186)	–	128	4,248
2016						
Financial assets:						
Cash and cash equivalents	14	1,594	14	–	–	1,622
Trade and other receivables	89	2,213	–	–	1,058	3,360
Other financial assets	–	1,823	–	–	–	1,823
Total financial assets	103	5,630	14	–	1,058	6,805
Financial liabilities:						
Trade and other payables	(74)	(4,375)	(174)	(185)	(235)	(5,043)
Net financial assets/(liabilities)	29	1,255	(160)	(185)	823	1,762
Company:						
2017						
Financial assets:						
Cash and cash equivalents	–	67	–	–	–	67
2016						
Financial assets:						
Cash and cash equivalents	–	760	–	–	–	760

There is exposure to foreign currency risk as part of the group's and company's normal business.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

30. Financial instruments: information on financial risks (cont'd)

30G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2017	2016
	$'000	$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against US dollars with all other variables held constant would have an adverse effect on profit before tax of	(416)	(126)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Brunei dollars with all other variables held constant would have an adverse effect on profit before tax of	(13)	(82)

The above table shows sensitivity to a hypothetical percentage variation in the functional currency against the relevant material non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

30H. Equity price risk

There are instruments in equity shares, related derivatives or similar instruments. As a result, such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. The fair values of these assets and sensitivity analysis are disclosed in Notes 18 and 19.

31. Contingent liabilities

	Company	
	2017	2016
	$'000	$'000
Undertaking to support subsidiaries with deficits [a]	1,761	2,290
Litigation [b]	2,100	2,100

(a) Undertaking to support subsidiaries with deficits

The company has undertaken to provide continued financial support to certain of its subsidiaries which have total accumulated losses in excess of the issued and paid-up capital as at 31 December 2017 amounting in aggregate to $1,761,000 (2016: $2,290,000) to enable them to continue to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the end of the reporting year.

The company has also issued a financial guarantee to a bank for banking facilities granted to a subsidiary. The banking facilities are secured by fixed deposits of the subsidiary amounting to approximately $2,479,000 and covered by a personal guarantee of a director of the subsidiary and corporate guarantee of the company of $505,000 (2016: $491,000). As at the end of the financial year, the outstanding facilities covered by the guarantee were Nil (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

31. Contingent liabilities (cont'd)

(b) Litigation

On 19 November 2013, Unified Telecom Private Limited ("UTPL"), a joint venture of Unified Communications Pte Ltd ("UCPL"), filed a petition to the High Court of Delhi, New Delhi in India under Section 9 of India Arbitration and Conciliation Act, 1996 to obtain interim relief on the protection of assets currently under the custody of a former customer, a mobile telecoms network operator and service provider in India (the "Telco"), and to deny the penalty claims by the Telco against UTPL.

The Telco had via a letter issued in July 2013 alleged that UTPL is liable for a sum of INR 10.7 crore (approximately $2.1 million) for damages and expenditure incurred in connection with the contract during its currency.

Legal advice has been sought from reputable law firms in both India and Singapore with good credentials in handling contract litigation and dispute resolution, to review and advise on the merit of this claim by the Telco on UTPL. Based on the legal opinions obtained from the law firm concerned, management is of the view that UTPL has full rights and title to the assets and should be entitled to demand their return, and that the Telco's claim against UTPL has no legal merit. Accordingly, external legal counsels in Singapore and India have been appointed to advise and represent UCPL and UTPL to pursue legal recourse.

As announced by the company on 16 January 2015, the hearing on the petition filed by UTPL which was originally scheduled to be heard on 23 April 2014, having been adjourned on several occasions, was dismissed by the High Court, as the Telco had initiated the arbitration proceedings before a tribunal. The High Court was of the view that the matter should be resolved through arbitration proceedings since the tribunal had already been constituted.

During the reporting year 2015, UTPL commenced an application pursuant to Section 17 of the Indian Arbitration and Conciliation Act 1996 for, amongst others, the return of the Hardware. However, the learned Arbitrator dismissed the application, but directed Telco to ensure the safety of and protect the Hardware from any damage during the period the Hardware is lying in Telco's premises.

A number of procedural hearings have been held by the Arbitrator to cross examine the affidavits of the admissions and denial documents relating to the aforesaid claim and counterclaims. The Arbitrator has attempted to arrange for a next hearing but this was adjourned a few times with the date of the next hearing tentatively set on 18 April 2018.

In the opinion of management, no material losses are expected to arise pertaining to the aforesaid contingent matter.

32. Changes and adoption of financial reporting standards

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

33. New or amended standards in issue but not yet effective

Companies listed on the Singapore Exchange ("SGX") currently reporting under Singapore Financial Reporting Standards are required to comply with new financial reporting standards (issued by the Singapore Accounting Standards Council) that would be identical to the International Financial Reporting Standards for reporting years beginning on after 1 January 2018. The new framework is referred to as SG-IFRS. SG-IFRS 1 First-time Adoption of International Financial Reporting Standards will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances management does not anticipate that the application of SG-IFRS 1 will have a material impact on the financial position and / or financial performance of the reporting entity.

Those applicable to the reporting entity for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-28	Amendments to SFRS(I) 28 Investments in Associates and Joint Venture – Sale or Contribution of Assets	1 Jan 2018
SFRS(I) 1-40	Amendments to SFRS(I) 40: Transfer of Investment Property	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to SFRS(I) 115: Clarifications to SFRS(I) 115 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases - Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019

SFRS(I) 9 Financial Instruments will replace FRS 39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("ECL") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, SFRS(I) 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from FRS 39.

On the basis of the facts and circumstances that exist as at 31 December 2017 (see accounting policy in Note 2 and disclosures in Notes 18 and 19) the entity does not anticipate that the application of the new standard will have a material impact on the financial position and/or financial performance of the entity, apart from providing more extensive disclosures on the entity's financial instruments.

SFRS(I) 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and the related Interpretations to FRS. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). SFRS(I) 15 will be adopted in the financial statements when it becomes mandatory and the full retrospective method of transition to the new standard will be used.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

33. New or amended standards in issue but not yet effective (cont'd)

On the basis of the current accounting treatment of the major sources of revenue (see accounting policy in Note 2 and disclosures in Note 5 on revenue) the management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and/or financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions. However, as the entity is still in the process of assessing the full impact of the application of SFRS(I) 15 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2018

Number of shares	:	31,957,264
Issued and paid-up share capital	:	S$31,947,814.00
Class of shares	:	Ordinary Shares of equal voting right
Number of treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.34	61	0.00
100 - 1,000	652	44.81	448,249	1.40
1,001 - 10,000	656	45.09	2,534,350	7.93
10,001 - 1,000,000	139	9.55	8,049,279	25.19
1,000,001 AND ABOVE	3	0.21	20,925,325	65.48
TOTAL	**1,455**	**100.00**	**31,957,264**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Worldwide Matrix Sdn Bhd	12,692,293	39.72
2	RHB Securities Singapore Pte. Ltd.	6,329,600	19.81
3	Wong Tze Leng	1,903,432	5.96
4	Raffles Nominees (Pte) Limited	823,920	2.58
5	DBS Nominees (Private) Limited	600,700	1.88
6	Chang Shaw Chuin	549,150	1.72
7	UOB Kay Hian Private Limited	504,540	1.58
8	DBSN Services Pte. Ltd.	226,900	0.71
9	Chin Khan Hee @ Chin Kian Hee	200,000	0.63
10	Goh Peng Hock	200,000	0.63
11	Tan Eng Chua Edwin	199,400	0.62
12	United Overseas Bank Nominees (Private) Limited	189,400	0.59
13	Ang Hao Yao (Hong Haoyao)	162,500	0.51
14	Chang Shaw Hwa	160,550	0.50
15	Ong Wooi Siang	159,500	0.50
16	OCBC Nominees Singapore Private Limited	131,200	0.41
17	ABN AMRO Clearing Bank N.V.	128,300	0.40
18	Phillip Securities Pte Ltd	122,679	0.38
19	Khoo Soo Beng	115,000	0.36
20	Eng Koon Hock	108,000	0.34
	TOTAL	**25,507,064**	**79.83**

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Deemed Interest	
No.	Name	No. of Shares	%	No. of Shares	%
1	Worldwide Matrix Sdn Bhd	12,692,293	39.72	5,940,000[a]	18.59
2	Advance Synergy Berhad	–	–	18,632,293[b]	58.30
3	Wong Tze Leng	1,903,432	5.96	–	–

[a] 5,940,000 shares of Worldwide Matrix Sdn Bhd are held under RHB Securities Singapore Pte Ltd.

[b] Advance Synergy Berhad is deemed to be interested in the shares held by Worldwide Matrix Sdn Bhd by virtue of its shareholdings in Worldwide Matrix Sdn Bhd.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on information available to the Company as at 21 March 2018, approximately 33.74% of the issued ordinary shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited has been complied with by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Copthorne King's Hotel, 403, Havelock Road, Singapore 169632, Prince Room, Level 13 on Thursday 26 April 2018 at 3.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Independent Auditors' Report thereon. **Resolution 1**

2. To approve the directors' fees of S$83,900/- for the financial year ended 31 December 2017 [2016: S$83,900/-]. **Resolution 2**

3. To re-elect the following directors retiring pursuant to Article 103 of the Company's Constitution:-

   (a) Wong Tze Leng **Resolution 3**
   (b) Chuah Seong Phaik **Resolution 4**

   (See Explanatory Note 1)

4. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following with or without modifications:-

<u>Ordinary Resolutions</u>

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

   (a) "That, pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST), approval be and is hereby given to the directors of the Company at any time to such persons and upon such terms and for such purposes as the directors may in their absolute discretion deem fit, to:- **Resolution 6**

      (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

      (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and

      (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while the authority was in force, provided always that:-

      (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholders' approval is require under the Listing Rules, an issue of treasury shares will not require further shareholders' approval and will not included in the aforementioned limits;

         For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of shares excluding treasury shares at the time this resolution is passed, after adjusting for:-

         a) new shares arising from the conversion or exercise of convertible securities; or

NOTICE OF ANNUAL GENERAL MEETING

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

c) any subsequent consolidation or subdivision of the Company's shares;

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *(See Explanatory Note 2)*

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

Dated this 11th day of April 2018

By Order of the Board

Ang Siew Koon
Toon Choi Fan
Company Secretaries

Explanatory Notes:-

1. The ordinary resolutions in item 3 is to re-elect the retiring directors pursuant to Article 103 of the Company's Constitution:-

    (a) Wong Tze Leng will, upon re-election as Director, remain as the Group Executive Chairman.

    (b) Chuah Seong Phaik will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. Chuah Seong Phaik is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

    Key information of Wong Tze Leng and Chuah Seong Phaik are found on page 13 and 14 of the Company's 2017 Annual Report.

2. The ordinary resolution 6 in item 5 if passed will empower the directors of the Company from the date of this Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the directors may allot and issue under this resolution would not exceed 50 percent of the issued share capital of the Company at the time of passing this resolution. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders the aggregate number of shares to be issued shall not exceed 20 percent of the issued share capital of the Company, 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.

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies in his/her stead.

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 the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not less than 48 hours before the time appointed for the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (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.

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CAPTII LIMITED

(Company Registration No. 200211129W)
(Incorporated in the Republic of Singapore)

Important:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

PROXY FORM

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

Company Registration No. ________________ of __________________________________

____ (Address)

being a member/members of CAPTII LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

* and/or

as **my/our proxy/proxies* to vote for **me/us* on **my/our* behalf at the Annual General Meeting of the Company to be held at Copthorne King's Hotel, 403, Havelock Road, Singapore 169632, Prince Room, Level 13 on Thursday, 26 April 2018 at 3.00 p.m. and at any adjournment thereof.

* *I/We* direct **my/our proxy/proxies* to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the * *proxy/ proxies* will vote or abstain from voting at **his/their* discretion.

No.	Ordinary Resolutions	Resolution No.	For	Against
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Independent Auditors' Report thereon.	Resolution 1		
2.	To approve the directors' fees of S$83,900/- for the financial year ended 31 December 2017 [2016: S$83,900/-].	Resolution 2		
3	To re-elect the following directors retiring pursuant to Article 103 of the Company's Constitution:-			
	(a) Wong Tze Leng	Resolution 3		
	(b) Chuah Seong Phaik	Resolution 4		
4.	To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration.	Resolution 5		
5.	To authorise directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50.	Resolution 6		

Dated this ________ day of ________________ 2018

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

** Please delete accordingly.*

PROXY FORM

CAPTII LIMITED

(Company Registration No. 200211129W)
(Incorporated in the Republic of Singapore)

Notes:-

1. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number of shares. If the member has shares entered in his/her name in the Register of Members of the Company, he/she should insert the number of shares. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.

3. Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak 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. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not less than 48 hours before the time set for the Annual General Meeting. If a member submits a proxy form and subsequently attends the meeting in person, and votes, the appointment of the proxy should be revoked.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.

8. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("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 Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

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 April 2018.

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