



ASTI HOLDINGS LIMITED



INNOVATION

Rapid Adaptation

ANNUAL REPORT 2018

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About ASTI



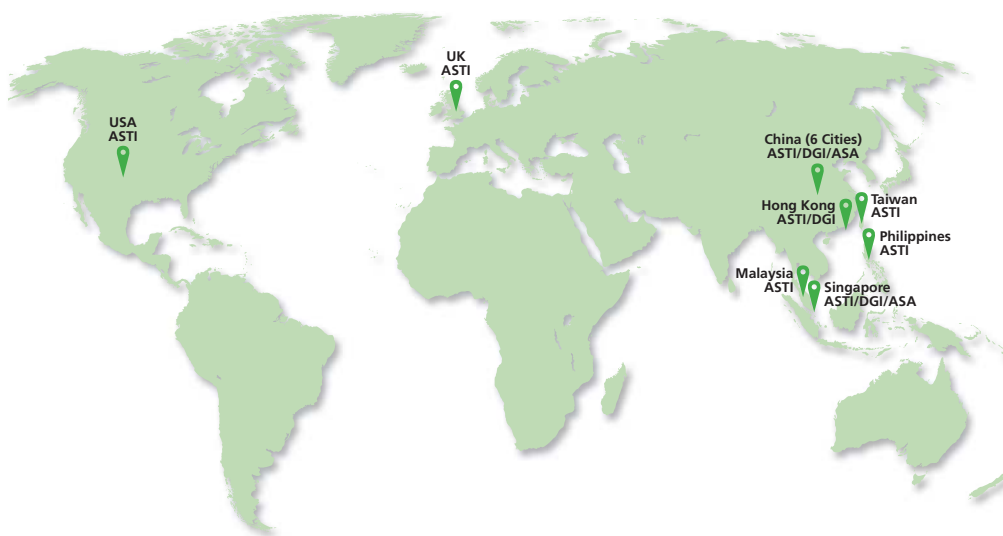
Listed on the mainboard of the Singapore Exchange, ASTI Holdings Limited (“ASTI” or “the Group”) owns one of the larger Semiconductor Manufacturing Service in the world. The Group provides Tape & Reel packaging services and Integrated Circuit Programming Services to renowned Original Equipment Manufacturers, contract manufacturers and component distributors globally.

Globally, ASTI has 2 research and development centres and 8 factories. Our operations are located in Southeast Asia, Greater China, the United States of America and the United Kingdom.

Our extensive geographical network provides distribution services across many countries in Asia. The ASTI Group of companies has the ability to offer a suite of integrated and synergistic solutions to our customers.

ASTI holds a controlling equity interests in Dragon Group International Limited (“Dragon Group” or “DGI”). The shares of DGI are quoted on the Singapore Exchange.

For more information, please visit our website at www.astigp.com



Geographic Reach

The ASTI Group of companies has extensive global footprints. Currently we have 2 research and development centres, and 8 factories located in Southeast Asia, Greater China, the United States of America and the United Kingdom.



Letter To Shareholders and Operations Review



// We will continue working to improve on our existing businesses now that we are through the inflexion point and cash flow is good. //

Dear Shareholders,

With a renewed focus on family life, my resignations were announced on 7 April 2019. Succession is being planned and we will ensure a smooth transition through 2019.

Having pushed through the inflexion point with the disposal of Semiconductor Technologies & Instruments Pte Ltd (STI), we went from loss after taxation of S\$14.6m in 2017 to a Profit after taxation of S\$19.7m in 2018. We declared 2 cents per share interim dividend on 14 November 2018 and are pleased to recommend a final dividend of 0.5 cents per share, bringing the total dividends pay-out for FY2018 of S\$16.3m to our shareholders. This is a historical record for our company.





We reported a revenue decline primarily due to a de-consolidation of Advanced Systems Automation Limited (ASA) Group's revenue after the completion of ASA Group's rights issue on 14 June 2017. ASTI's generic businesses continued to grow and remain profitable.

Dragon Group International Limited (DGI) is undergoing a delisting process. On 4 January 2019, we announced a renewed investment deal of US\$20m in EoCell Limited from Yinlong Energy Co., Ltd which was subsequently completed on 20 May 2019. ASA underwent restructuring by disposing the unprofitable Beijing operations, and acquired a profitable business coupled with a significant change in shareholder structure to better position itself to compete in the market.

OPERATIONS REVIEW

INCOME STATEMENT

Revenue

The Group recorded revenue of S\$63.4 million for the financial year ended 31 December 2018 ("FY2018"), down by 4.9% or \$3.3 million from S\$66.7 million in the previous financial year ended 31 December 2017 ("FY2017").

Profit before tax

The Group reported a loss before tax from continuing operations of S\$21.5 million and S\$19.6 million in FY2018 and FY2017 respectively. Included in FY2017 was a gain on disposal of ASA Group of S\$2.9 million.

Marketing and distribution expenses for FY2018 decreased by 40%; from S\$2.9 million in FY2017 to S\$1.8 million. The decrease was primarily due to the absence of 6 months results from ASA Group.

Administrative expense increased by S\$9.9 million or 49.3% from S\$20.1 million in FY2017 to S\$30.0 million in FY2018. The increase was mainly due to a bonus pay-out to a director during the year.

Other expense in FY2017 included foreign exchange loss of S\$2.5 million, arising from the weakening of Singapore Dollar against United States Dollars.

The Group recorded lower finance cost by S\$0.02 million in FY2018 as compared to FY2017 due to loan repayment made during the year.

Net Profit

Taking into consideration the above factors, the Group recorded a net loss after tax from continuing operations of S\$22.9 million and S\$20.9 million in FY2018 and FY2017 respectively.

Letter To Shareholders and Operations Review

After taking into account Profit from Discontinued Operations, net profit for FY2018 is S\$19.7 million compared to net loss of S\$14.6 million in FY2017. Included in FY2018 is the gain on disposal of STI Group which was completed on 26 September 2018 of S\$34.5 million.

BALANCE SHEET

Non-current assets

Non-current assets comprised the increase in development expenditure incurred by (i) the battery storage solutions, (ii) additional property, plant and equipment purchased by the Group and (iii) other receivables in relation to disposal of STI Group. This increase was offset by the depreciation of PPE and investment properties, coupled with translation changes for non-current assets. This resulted in an overall increase of S\$12.9 million from S\$30 million as at 31 December 2017 to S\$42.9 million as at 31 December 2018.

Current assets

The decrease in current assets of S\$30.9 million or 35% from S\$88.9 million as at 31 December 2017 to S\$58.0 million as at 31 December 2018 was mainly due to the disposal of STI Group.

Current liabilities

The decrease in current liabilities of S\$23.9 million or 38% from S\$63.7 million as at 31 December 2017 to \$39.8 million as at 31 December 2018 was mainly due to decrease in loans and borrowings of S\$22.4 million.

CASHFLOW STATEMENT

The Group utilized S\$3.8 million for its operational working capital. An amount of S\$1.8 million was used for the net payments of interests and taxes.

Net cash generated from investing activities amounted to S\$15.8 million was mainly due to a net cash inflow on disposal of STI Group of S\$32.9 million. However, this is mitigated by an amount of S\$12.5 million used for purchase of property, plant and equipment and S\$2.2 million on research and development projects.



The Group has borrowed S\$1.9 million but repaid S\$6.4 million to financial institutions during the period. Loans of S\$2.4 million were provided to an associate.

OUTLOOK

With the disposal of STI, ASTI retains Telford and Eoplex. Telford's 8 factory locations collectively with a headcount of over 3,500, continue to grow profitably. We will continue working to improve on our existing businesses now that we are through the inflexion point and cash flow is good. We remain cautious about our prospect in 2019 which may be affected by the markets uncertainties arising from the looming trade disputes. With the completion of the investment into EoCell Limited by Yinlong Energy Co., Ltd, our cash flow and profitability outlook will improve. Coupled with the structural changes in ASA, the outlook for ASTI cash flow remains positive and we look forward to more dividend whenever appropriate.

Being the controlling shareholder of DGI, ASTI will be working on a cash exit offer to DGI's shareholders. ASTI's shareholders will be informed of the development in due course.

IN APPRECIATION

I would like to thank all our customers, shareholders, business associates, and bankers for your trust and confidence in us, and I look forward to your support in the new financial year and to our management succession. To all our employees, I appreciate your perseverance and dedication, and I have confidence in your commitment to make our Group financially, commercially and technologically strong to ride the opportunities ahead of us.

Yours Sincerely,

DATO' MICHAEL LOH

Executive Chairman and Chief Executive Officer



Board of Directors



Dato' Michael Loh Soon Gnee, 63
Executive Chairman and Chief Executive Officer

Bachelor of Science
Double Major in Business Economics & Chemical Engineering
State University of New York, Buffalo, USA

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him close to 40 years of knowledge and experience in wafer fabrication, research and development and assembly, testing and distribution of semiconductor products. Having spent 20 years in Silicon Valley, USA, Dato' Loh has abundant practical business experiences and a vast network of contacts in the semiconductor industry. Dato' Loh is also the Executive Chairman and Chief Executive Officer of the SGX-Mainboard-listed Dragon Group International Limited and SGX-Catalist-listed Advanced Systems Automation Limited.

Current Listed Companies' Directorships

- ASTI Holdings Limited
- Advanced Systems Automation Limited
- Dragon Group International Limited

Past 3 Years Listed Companies' Directorships

- None



Mr. Timothy Lim Boon Liat, 54
Group Administrative Officer and Executive Director

Diploma in Sales and Marketing, CIMUK

Mr. Lim brings with him close to 30 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Admin, HR and Legal operations of the Group including that of the SGX-Mainboard-listed Dragon Group International Limited and SGX-Catalist-listed Advanced Systems Automation Limited. Prior to this, Mr. Lim has held various positions during his career including sales and management.

Current Listed Companies' Directorships

- ASTI Holdings Limited
- Dragon Group International Limited

Past 3 Years Listed Companies' Directorships

- None



Mr. Mohd. Sopiyan B. Mohd. Rashdi, 57
Independent Director
Remuneration Committee Chairman

Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391)
Degree in Accountancy, University iTM, Malaysia

Mr. Mohd. Sopiyan brings with him a wealth of experience from his previous employment with Maybank Finance Bhd, Bank Negara Malaysia, Edaran Digital System Bhd Group of Companies and Financial Advisory Services where he was responsible for the accounting, financial, corporate finance, budgeting, treasury management and tax matters.

During his tenure with Bank Negara, he was attached to the Bank's regulatory department which oversees and monitors financial institutions. He was subsequently seconded to TPU Sdn Bhd, a company formed by Bank Negara to restructure and rehabilitate companies facing financial problems during the recession in the 1980s.

Mr. Mohd. Sopiyan is currently the Chief Executive Officer of PT Dragon Terra Venture, a company involved in capital market activities including corporate finance and fund raising exercises in Indonesia and also the Chief Executive Officer or President Director of PT Envy Technology Indonesia, a company involved in ICT Infrastructure & Security Services provider in Indonesia since June 2014.

Current Listed Companies' Directorships

- ASTI Holdings Limited
- Dragon Group International Limited
- Advanced Systems Automation

Past 3 Years Listed Companies' Directorships

- Wintoni Group Berhad
- Winsun Technology Bhd



Mr. Mandie Chong Man Sui, 62
Independent Director

Bachelor of Science in Engineering, National Taiwan University

Mr. Chong is a veteran with more than 30 years of experience in the semiconductor industry. He is knowledgeable and well acquainted with the Hong Kong and China markets. He is the Director of Nanjing Dragon Treasure Boat Development Co., Ltd.

Current Listed Companies' Directorships

- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships

- None
-



Professor Dr. Kriengsak Chareonwongsak, 64
Independent Director
Nominating Committee Chairman

*PhD Economics, Monash University, Australia
D.Phil Management, University of Oxford, UK
Master of Public Administration, Harvard University, USA
Master of Studies, Cambridge University, UK
Bachelor of Economics (First Class Honours), Monash University, Australia*

Dr. Kriengsak is the Chairman of the Success Group of Companies, a conglomerate of businesses involved in the media and knowledge industry, biotechnology, finance and securities, leisure and travel and many other industries. In addition to his vast business interests, Dr. Kriengsak is well recognized in the academia where he holds various positions in globally renowned universities both in Thailand and overseas. He is Professor of Management and Economics at the OYA Graduate School of Business, Universiti Utara Malaysia. Socially active in Thailand, Dr. Kriengsak is the Chairman of the Nation-Building Institute (NBI), the institute that aims to gather leaders of the public, private and people sector for the purpose of nation-building, as well as the Chairman of a number of foundations and holds positions on the governing/advisory boards of various Asian and international and educational organisations.

Current Listed Companies' Directorships

- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships

- None
-



Dr. Daniel Yeoh Ghee Chong, Ph. D., 47
Lead Independent Director
Audit Committee Chairman

PhD Electrical Engineering and Applied Physics, Stanford University

Dr. Daniel Yeoh possesses a well-balanced academic excellence and extensive exposure in entrepreneurial and investment banking—involved in a wide range of financial products such as initial public offerings, mergers and takeovers, fund raising, and various other corporate advisories, and was responsible in establishing the investment banking business for CIMB Investment Bank in the Northern Region of Malaysia, managing a large group of corporate clients.

Post-investment-banking, he heightens his entrepreneurship career through holding various senior leadership positions in sectors such as FMCG, luxury retail, customer engagement and loyalty services for premium lifestyle, national stock exchange, international school, budget hotels chain and so forth. He has a strong track record as a board member especially in bringing companies from start-up stage to commercialisation stage and pre-IPO stage.

Dr. Yeoh is a recipient of two Australian prestigious scholarships, whose PhD thesis was published in 2004 (co-authored with Professor Tim Brailsford) in one of the most acclaimed international finance journals, *Journal of Business*, entitled "An empirical examination of physical asset expenditure announcements in the Australian context: Growth opportunities and agency contexts".

Current Listed Companies' Directorships

- ASTI Holdings Limited
- Dragon Group International

Past 3 Years Listed Companies' Directorships

- None

Key Management

Anthony Loh

Vice President, Finance

Mr. Loh joined the Group in 2017 and has over 20 years of experience in finance and accounting. He is overall in charge of the Group's Finance Team and is also the Vice President of Finance of Advanced Systems Automation Limited and Dragon Group International Limited. Prior to joining the Group, Mr. Loh has extensive working experience in MNCs, GLCs and SMEs. He is a Chartered Accountant, a non-practising member of Institute of Singapore Chartered Accountants and holds an Association of Chartered Certified Accountants (ACCA) qualification.

Sunny Tan

Group Business Development Director, Overseas

Mr. Tan joined the Group in 2011 and was appointed as Group Business Development Director on 1 September 2018 for overseas market. Mr. Tan was formerly the Chief Executive Officer of ASA Multiplate. He was responsible for the business development, sales, finance and operations of ASA Multiplate. Prior to joining ASA Multiplate, Mr. Tan was the business development manager and general manager of two other technology companies.

Colin Yeo

Vice President of DGI

Prior to joining DGI, Colin has over 30 years' experience as executive management running Asia Sales and Marketing for 2 MNCs engaged in the semiconductor industry, CEO of a diversified group including franchised semiconductor distribution and large machining factories in China and Singapore; most recently, managing the lithium ion battery start-up EoCell. Colin has extensive experience in management, operations, sales and marketing, distribution and logistics across a wide spectrum of industries.

Roslan Bin Affandi

Vice President, Operations of EoPlex Group, Telford Malaysia & ASA Multiplate

Mr. Roslan joined the Group in 2012 and is responsible for the Engineering and Manufacturing operations in EoPlex. He has recently extended the area of responsibility to cover the operation of Telford Malaysia and also managing ASA Multiplate. Mr. Roslan has over 32 years of experience in substrates and lead frame manufacturing industry. Prior to joining the Group, he was the Vice President of a substrate manufacturing company in Singapore. Mr. Roslan holds a Diploma in Marine Communications from Singapore Polytechnic.

Larry Lim

President, Telford Group

Mr. Lim joined the Group in 1993 and currently manages eight of the Group's subsidiaries in Asia and Europe, which total workforce of more than 3700 provides tape and reel, inspection and programming services for both the semiconductor and contract manufacturing industries. Prior to joining Telford Group, Mr. Lim was the Operations Manager of Trio-Tech International Pte Ltd from 1978 to 1992. He holds a Diploma in Electronic Engineering from the Singapore Polytechnic.

Ong Yu Huat

Senior Vice President, Telford Group

Since beginning his career with Texas Instruments Singapore in 1986, Mr. Ong has held various key positions in manufacturing, purchasing, engineering and sales and marketing. Mr. Ong joined the Group in 1999. He holds a Bachelor of Science in Physics from the National University of Singapore.



Gary Smith

*Managing Director, Reel Service Ltd,
Scotland*

Mr. Smith originally joined Reel Service in 1988 as Engineering Manager, then became Director of the Engineering for the Reel Service Group where he helped set up subsidiaries in Germany, Singapore, USA, Philippines and Israel. Prior to joining Reel Service, he spent 5 years working with Hughes Microelectronics (Now Raytheon) where he gained extensive knowledge and experience in Quality, Project and Process Engineering. In 2002 Mr. Smith set up his own company in Property Development & Project Management. Prior to starting back with Reel Service in August 2015, Mr. Smith was working with charity based Housing Associations dealing with Property Development & Maintenance.

Seah Chong Hoe

Chief Operating Officer, ASA

Mr. Seah brings with him more than 3 decades of knowledge and experience from the electronics engineering and plastic injection molding industries. He has been responsible for the growth and development of the Yumei Group since 1989. In his current role, Mr. Seah is responsible for overseeing the operations and business efficiency of the Group.

Loh Choon Piew

*Vice President and General Manager,
Operations, ECMS of ASA*

Mr. Loh graduated from the University of East Anglia, Norwich, UK in Mathematics with Computing in 1983. Prior to joining ASA in 2014, he served and held several different positions in various industries – From consumable products sector, industrial packaging, rubber molding, plastics injection to precision metal fabrication. Mr. Loh brings with him vast experience in operational, strategic planning, trade and industry, metal and precision industry and business development.

Dato' Ben Loh Choon Khiang

*Vice President, Business Development,
ECMS of ASA*

Dato' Ben Loh brings with him over 20 years of experience in various industries such as paper packaging, metal fabrication and sheets metal. Prior to joining Microfits, Dato' Ben Loh was a businessman and served as Director of various Malaysian companies such as R-Plus Technology, Megatouch, CSH-Prime Packaging, Coraza Systems as well as a former Executive Director of a Malaysian public listed company, KBB Berhad, now known as EKA Berhad.

Rurando Steven Tan

*Vice President, Engineering &
Operations of Microfits*

Mr. R. Steven Tan has accumulated 38 years of experience in the semiconductor and electronics industry spanning across a wide range of industries including engineering developments, automation system, developing IC manufacturing process engineering & implementation of system maintenance, engineering research & developments and design configuration. Prior to joining Microfits, Mr. Steven Tan was the managing director of Euro Technology Pte Ltd, a company he founded which focused on conceptualised design, research & development by applying the German technology engineering and instrumental the state of art technology for the front of lines machinery to support the semiconductor, electronics and the LED industry.



Financial Highlights

RESULT OF OPERATIONS	2018	2017	2016
	S\$'000	S\$'000	S\$'000
Group Income Statement			
Revenue	63,400	66,701	141,883
Loss before Taxation from continuing operations	(21,491)	(19,595)	(7,326)
Net Profit/(Loss) Attributable to Owners of the Company	24,336	(4,397)	1,038
Group Balance Sheets			
Non-Current Assets	42,887	30,024	25,187
Current Assets	58,047	88,852	103,983
Total Assets	100,934	118,876	129,170
Current Liabilities	39,812	63,681	62,030
Non-Current Liabilities	4,115	4,579	4,872
Total Liabilities	43,927	68,260	66,902
Equity Attributable to Owners of the Company	69,163	58,569	62,823
Non-Controlling Interests	(12,156)	(7,953)	(555)
Total Equity	57,007	50,616	62,268
Basic Earnings per share (cents)	3.72	(0.67)	0.2
Net Assets Value per share (cents)	10.6	8.9	9.6
Weighted average number of shares in the year	654,731,486	654,731,486	654,731,486
Number of shares (excluding treasury shares) as at end of year	654,731,486	654,731,486	654,731,486
Financial Ratios			
Return on Average Shareholders' Fund (%)	38	(7)	2
Gearing Ratio (%)	20	38	29
Current Ratio (Times)	1.46	1.40	1.68



Corporate Information

BOARD OF DIRECTORS

Executive:

Dato' Michael Loh Soon Gnee
Executive Chairman and Chief Executive Officer

Timothy Lim Boon Liat
Group Administrative Officer and Executive Director

Non-Executive:

Dr. Daniel Yeoh Ghee Chong
Lead Independent Director

Professor Dr. Kriengsak Chareonwongsak
Independent Director

Mohd. Sopiyan B. Mohd. Rashdi
Independent Director

Mandie Chong Man Sui
Independent Director

AUDIT COMMITTEE

Dr. Daniel Yeoh Ghee Chong
Chairman

Professor Dr. Kriengsak Chareonwongsak
Mohd. Sopiyan B. Mohd. Rashdi

NOMINATING COMMITTEE

Professor Dr. Kriengsak Chareonwongsak
Chairman

Dr. Daniel Yeoh Ghee Chong
Mohd. Sopiyan B. Mohd. Rashdi

REMUNERATION COMMITTEE

Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dr. Daniel Yeoh Ghee Chong
Professor Dr. Kriengsak Chareonwongsak

COMPANY SECRETARY

Dayne Ho Chung Wei

EXECUTIVE OFFICERS

Anthony Loh
Vice President of Finance

Sunny Tan
Group Business Development Director, Overseas

Colin Yeo
Vice President of DGI

Roslan Bin Affandi
Vice President, Operations, EoPlex Group, Telford Malaysia & ASA Multiplate

Larry Lim
President, Telford Group

Ong Yu Huat
Senior Vice President, Telford Group

Gary Smith
Managing Director, Reel Service, Scotland

Seah Chong Hoe
Chief Operating Officer, ASA

Loh Choon Piew
Vice President and General Manager, Operations, ECMS of ASA

Dato' Ben Loh Choon Khiang
Vice President, Business Development, ECMS of ASA

Mr. Rurando Steven Tan
Vice President, Engineering & Operations of Microfits

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

INDEPENDENT AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:

Simon Yeo
(Since the financial year ended 31 December 2016)

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

APPENDIX 1

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

ASTI Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to maintaining a high standard of corporate governance and complying with the Singapore Code of Corporate Governance 2012 (“**CCG**” or the “**Code**”). The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate. The Board of Directors (the “**Board**”) of the Company views the adherence of such corporate governance practices as key to discharging its duties to protect and enhance shareholder value and the financial performance of the Group.

This report describes the corporate governance practices of the Group that were in place throughout the financial year ended 31 December 2018 (“**FY2018**”) with specific references to the principles and guidelines set out in the Code.

The revised Code of Corporate Governance was recently issued on 6 August 2018 (the “**2018 Code**”), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. In this regard, the Company will endeavour to comply with the 2018 Code once it is effective.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Company has an effective board that is able to lead and control the Company. The Board is responsible for the success of the Company and is accountable to the shareholders while the management of the Company (the “**Management**”) is accountable to the Board.

The Board endeavours to provide shareholders with balanced and understandable assessments of the Group’s performance, financial position and prospects on a quarterly basis. This responsibility extends to the provision of interim and other price sensitive public reports including those to regulators (if and whenever required).

The principal functions of the Board are to:

- set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders are understood;
- provide entrepreneurial leadership, set and approve the strategic and financial objectives of the Group, and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls;
- review the performance of Management, approve the nominations to the Board of Directors and the appointments of key personnel, as may be recommended by the Nominating Committee (the “**NC**”);
- identifying the key stakeholder groups and recognising that their perceptions affect the Group’s reputation;
- approve annual budgets, major funding proposals, investment and divestment proposals of the Company;
- appoint the Group Chief Executive Officer and review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee (the “**RC**”);
- consider sustainability issues, e.g., environmental and social factors, as part of the strategic formulation; and
- assume responsibility for the corporate governance framework of the Company.

The Group has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions, for example all new investments, that require Board approval under such guidelines are listed below:

- strategies and objectives of the Group;
- announcement of quarterly and full year results and release of annual reports;
- issuance of shares;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders’ meetings;
- investment and divestments;

CORPORATE GOVERNANCE REPORT

- commitments to terms loans and lines of credits from banks and financial institutions;
- interested person transactions (including, inter alia, conflict of interest issues relating to substantial shareholders of the Company and/or Directors);
- approval of corporate strategies;
- corporate or financial restructuring; and
- authorisation or approval of merger and acquisition transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Management so as to optimise operational efficiency.

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

The Board has delegated certain functions to various board committees, namely the Audit Committee (the "AC"), NC and RC. Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Regular meetings of the Board and of the other committees are convened, and the number of meetings and attendance by the respective Board members are set out in the table on page 4 of this report. The Company's Constitution allows for telephone, videoconference and other forms of electronic or instantaneous communication by Board members for such meetings if they cannot be personally present.

Whenever a new Director is appointed on the Board, the Company will provide a formal letter to the Director, setting out, amongst other things, his duties and obligations. The Company will also put all new Directors through an orientation programme to update them with all information necessary or desirable for the Director to understand its businesses and governance practices. Depending on the need, new Directors may be put through house sessions to acquaint them on Directors' duties and compliance with the relevant bodies of law in the performance of their duties. Depending on specific requirements, new Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 210(5)(a) of the Listing Manual, which was revised to be consistent with the 2018 Code and effective from 1 January 2019, the Company will arrange for training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. On an on-going basis, the Company will provide further information and updates on the Group and its business to the Board members, including any changes in legislation or regulations that may impact the Company's conduct of its business or affect the Directors in discharging their duties to the Company. Additional trainings will be arranged and funded, as and when necessary, for the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board.

Principle 2: Board Composition and Balance

The Company has an effective Board that is able to lead, steer and control the Company. The Board presently comprises six (6) Directors, four (4) of whom are Independent Directors and two (2) are Executive Directors. There is therefore a strong independent element on the Board whereby more than half of the Board comprises of Independent Directors and no individual or group of individuals is able to dominate the Board's decision-making process.

The Board examines its size and composition of the Board and board committees on an annual basis. It takes great pride in the composition of its Board, who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as core competencies including that of accounting, finance, business development, management, relevant industry knowledge, strategic planning and customer-based experience and knowledge. The Board is therefore well placed to lead, providing entrepreneurial and strategic leadership, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Independent Directors are encouraged to constructively challenge and help to develop business proposals tabled by Management. They also monitor and review the reporting of the performance of Management in meeting agreed goals and objectives of the Group. To facilitate a more effective check on Management, the Independent Directors meet regularly without the presence of Management and the other Directors.

Taking into account the nature and scope of the Company's operations, and the requirements of its near-term business plans, the Board is of the view that its current size and composition are appropriate and believes that it provides sufficient diversity without affecting the effectiveness and efficiency of decision-makings.

CORPORATE GOVERNANCE REPORT

Principle 3: Executive Chairman and Group Chief Executive Officer (“Group CEO”)

The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company’s business are separated to ensure a balance of power and authority. No one individual Director represents a considerable concentration of power.

The Executive Chairman assumed additional responsibilities as CEO of the Company in 2013. The Board is of the opinion that given the Chairman’s vast experience and past contributions, adopting a single leadership structure will enable a more efficient decision-making process and bring greater value to the Group.

The Executive Chairman and Group CEO provides input on broad strategic directions for the Company and bears responsibility for the workings of the Board ensuring its effectiveness in all aspects of his role.

The Executive Chairman and Group CEO manage the business of the Board and the Board committees and ensures that procedures are introduced from time to time in accordance with the Code. He ensures that Board meetings are held as and when it is necessary and sets the Board meeting agenda in consultation with Management. The Executive Chairman and Group CEO reviews the Board papers before they are presented at Board meetings and ensures that Board members are provided with complete, adequate and timely information from Management including access to quality legal advice. As a general rule, Board papers are sent to Directors well in advance for Directors to review and be adequately prepared for the meeting. Management staff who have prepared the information, or who can provide additional insight into the matters to be discussed are invited to carry out presentations or attend the Board meeting as appropriate at the relevant time. In order to promote a culture of openness and debate at the Board, both Management and the Independent Directors are encouraged to contribute at the Board meetings.

In view of the fact that the Executive Chairman and the Group CEO is the same person, half of the Board comprises of Independent Directors. In addition, the Board has also appointed a Lead Independent Director, in accordance with recommendations under the Code, to provide a channel for shareholders to raise any issues of concern for which communication through the Executive Chairman and Group CEO, or the Vice President, Finance may not be appropriate in some circumstances. The Lead Independent Director leads the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. The Lead Independent Director is the principal liaison on Board issues between the Independent Directors and the Executive Chairman and Group CEO.

To facilitate a more efficient check on Management and the Executive Chairman and Group CEO, the Independent Directors have been encouraged to meet without the presence of Management and the Executive Chairman and Group CEO at separate occasions. The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other directors where necessary, and the Lead Independent Director then provides feedback to the Executive Chairman and Group CEO after such meetings.

Principle 4: Board Membership

The nature of the Directors’ appointments on the Board and details of their membership on the Board Committees as at the date of this report are set out below:

Board and Committee Membership

Directors	Board Membership	Committee Membership		
		Audit	Remuneration	Nominating
Dato’ Michael Loh Soon Gnee	Executive	N.A.	N.A.	N.A.
Timothy Lim Boon Liat	Executive	N.A.	N.A.	N.A.
Dr. Daniel Yeoh Ghee Chong ⁽¹⁾	Lead Independent	Chairman	Member	Member
Mohd. Sopiyan B. Mohd. Rashdi ⁽¹⁾	Independent	Member	Chairman	Member
Dr. Kriengsak Chareonwongsak	Independent	Member	Member	Chairman
Mandie Chong Man Sui	Independent	N.A.	N.A.	N.A.

⁽¹⁾ Dr. Daniel Yeoh Ghee Chong and Mr. Mohd. Sopiyan B. Mohd. Rashdi were appointed as Directors of the Company with effect from 1 May 2018.

CORPORATE GOVERNANCE REPORT

The academic and professional qualifications of the Directors are set out in the Directors' profile on pages 6 and 7 of the annual report. The shareholding of each Director is set out in the Directors' Statement under the Section "Directors of the Company" on page 1 in the Directors' Statement in Appendix 2 of this annual report. In addition, pursuant to Rule 720(6) of the Listing Manual, the additional information as set out in Appendix 7.4.1 of the Listing Manual relating to the retiring Directors who are submitting themselves for re-election is disclosed in the section entitled "Information on Directors nominated for re-election – Appendix 7.4.1 of the Listing Manual" to be read in conjunction with the information in the section entitled "Board of Directors" of the Annual Report.

Attendance at Board and Committee Meetings

The Board meets at least 4 times each year and as and when warranted by particular circumstances, as deemed appropriate by the Board. The Company's Constitution provide for teleconference and videoconference meetings. As a general rule, materials for Board meetings are sent to the Directors in advance in order for the Directors to be adequately prepared for the meetings.

The frequency of the meetings of the Board and its various Committees and the attendance by the Directors are set out as follows below:

	Board Meeting	Audit Committee	Remuneration Committee	Nominating Committee
Number of Meetings	6	4	2	1
Directors				
Dato' Michael Loh Soon Gnee	6	3*	1*	1*
Mandie Chong Man Sui	5	3*	2*	1*
Timothy Lim Boon Liat	6	4*	2*	1*
Fong Wai Leong ⁽¹⁾	1	1	1	1
Dr. Kriengsak Chareonwongsak	5	4	2	1
Dr. Kenneth Yu Keung Yum ⁽¹⁾	1	1	1	1
Dr. Daniel Yeoh Ghee Chong ⁽²⁾	5	3	1	-
Mr. Mohd. Sopiyan B. Mohd. Rashdi ⁽²⁾	5	3	1	-

* By Invitation

⁽¹⁾ On 1 May 2018, Mr. Fong Wai Leong and Dr. Kenneth Yu Keung Yum both resigned as Directors of the Company.

⁽²⁾ Dr. Daniel Yeoh Ghee Chong and Mr. Mohd. Sopiyan B. Mohd. Rashdi were appointed as Directors of the Company with effect from 1 May 2018.

Board Appointments

The NC makes recommendations to the Board on all Board appointments and re-appointments. All of the members of the NC, made up of Dr. Kriengsak Chareonwongsak ("**NC Chairman**"), Mr. Mohd. Sopiyan B. Mohd. Rashdi and Dr. Daniel Yeoh Ghee Chong, are Independent Directors. The Lead Independent Director is a member of the NC.

The key terms of reference of the NC include the following:

- review board succession plans for Directors, in particular, the Executive Chairman and Group CEO;
- development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- review of training and professional development programs for the Board;
- appointment and re-appointment of Directors;
- evaluate and determine the independence of the Independent Directors; and
- evaluate whether a Director, with multiple board representations, is able to and has been adequately carrying out his duties as Director of the Company.

CORPORATE GOVERNANCE REPORT

Process for Selection and Appointment of New Directors

When required, the search and nomination process for new Directors will be through search companies, contacts or recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidate. The NC assesses the suitability of the candidate based on his skills, knowledge and experience and ensures that he is aware of the expectations and the level of commitment required, before recommending the potential candidate to the Board for appointment as Director. The Company's Constitution provides that a newly appointed Director during the financial year must retire and submit himself for re-appointment at the annual general meeting ("AGM") following his appointment. Thereafter, he is subject to re-appointment at least once every three years.

Retirement and Re-election of Directors

The NC is responsible for the re-appointment of Directors. In its deliberations on the re-election of existing directors, the NC takes into consideration the Director's contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contribution.

All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution provides that at least one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM. As part of the process for the selection, appointment and re-appointment of Directors, the NC will consider the composition and progressive renewal of the Board.

The dates of initial appointments and the last re-election of the Directors as at the date of this report are set out below:

Directors	Designation	Date of Initial Appointment	Date of Last Re-election
Dato' Michael Loh Soon Gnee	Executive Chairman and Group CEO	23 October 2003	29 April 2017
Timothy Lim Boon Liat	Executive Director	16 January 2004	30 April 2018
Dr. Daniel Yeoh Ghee Chong	Lead Independent Director	1 May 2018	Not Applicable
Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	1 May 2018	Not Applicable
Dr. Kriengsak Chareonwongsak	Independent Director	12 August 2011	29 April 2017
Mandie Chong Man Sui	Independent Director	16 January 2004	30 April 2018

Having considered the effectiveness and contributions of each of the Directors, the NC nominates and recommends the following Directors to stand for re-election at the Company's forthcoming AGM:

Dato' Michael Loh Soon Gnee	Executive Chairman and Group CEO	(Retiring under Regulation 103)
Dr. Kriengsak Chareonwongsak	Independent Director	(Retiring under Regulation 103)
Dr. Daniel Yeoh Ghee Chong	Independent Director	(Retiring under Regulation 107)
Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	(Retiring under Regulation 107)

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his performance or re-nomination as Director.

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually and as and when the circumstances require, bearing in mind the Guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. A director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent. For the purpose of determining directors' independence, every Independent Director has provided a declaration of their independence which is deliberated upon by the NC and the Board.

CORPORATE GOVERNANCE REPORT

Following the recent revision to the Code, the Listing Manual has been amended to be consistent with the same. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Listing Manual to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three financial years.

In its annual review for FY2018, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the independence of the following Directors:

Dr. Daniel Yeoh Ghee Chong	Lead Independent
Dr. Kriengsak Chareonwongsak	Independent
Mohd. Sopiyan B. Mohd. Rashdi	Independent
Mandie Chong Man Sui	Independent

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

Directors' Time Commitment and Multiple Directorships

Although some of the Directors have multiple Board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The internal guideline provides that, as a general rule, each Director should hold no more than ten listed company board representations. The guideline includes the following:

- directors must consult the Chairman of the Board and the NC Chairman prior to accepting any new appointments as a director and other principal commitments; and
- in support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2018, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and the Board is of the view that the Directors have discharged their duties adequately.

The Board is guided by the principles set out in Guideline 4.5 of the Code in the appointment of alternate directors. There are currently no alternate directors on the Board.

Principle 5: Board Performance

In accordance with the terms of reference of the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. While the Code recommends that the NC be responsible for assessing the Board as a whole and the board committees and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board and Board Committees as a whole as each member of the Board contributes in a different way to the success of the Company and Board decisions are made collectively.

All the Directors have made an assessment of the effectiveness of the Board as a whole. There is also a system of peer assessment of each Director by their fellow Directors at least once annually where each Director completes a peer evaluation form which is designed to seek their views on the various aspects of the performance of the Board performance so as to assess the overall effectiveness of the Board. These peer assessments are collated by the company secretary and consolidated responses were presented to the NC for review and are taken into account when the NC assesses and makes recommendations to the Board as to whether the retiring Directors are suitable for re-election/re-appointment in consultation with the Executive Chairman and Group CEO.

CORPORATE GOVERNANCE REPORT

For the year under review, the NC and the NC Chairman took note of, *inter alia*, each individual Director's attendance at meetings of the Board, Board committees and at general meetings; level of participation in discussions at meetings; the individual Director's functional expertise and his/her commitment of time to the Company and contribution of each Director towards the Board's effectiveness and competences and took such factors into consideration when assessing the performance of the individual Directors. The NC, having 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 reported on, and the peer assessment of each Director, is of the view that the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board has been satisfactory.

Principle 6: Access to Information

The Board oversees the management of the business affairs and operations of the Group and establishes from time to time, strategies and financial initiatives implemented by Management. Management has provided the Board with adequate information in a timely manner for the Board to discharge their obligations. Such information includes background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. The Board also duly monitors Management's performance.

To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

To facilitate direct access to the senior management, Directors are also provided with the names and contact details of the Management.

The Executive Chairman and Group CEO updates the Board during the quarterly Board meetings on the Group's strategies and business environment to keep the members of the Board abreast of the Group businesses and activities.

The appointment and removal of the Company Secretary, as well as any change thereof, is a matter for the Board's decision. The Directors have separate and independent access to the Company Secretary. Duties of the Company Secretary include ensuring that Board procedures are followed and compliance with applicable rules and regulations including the Companies Act (Cap 50) of Singapore ("**Companies Act**") and the SGX-ST's Listing Manual. The Company Secretary under the direction of the Executive Chairman and Group CEO also ensures good information flows within the Board and its Committees and between senior management and non-executive. The Company Secretary is also invited to attend all Board meetings.

In carrying out their obligations as Directors of the Company, access to independent professional advice is, if necessary, available to all Directors, either individually or as a group, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises of three members, Mr. Mohd. Sopiyan B. Mohd. Rashdi ("**RC Chairman**"), Dr. Daniel Yeoh Ghee Chong and Dr. Kriengsak Chareonwongsak who are all Independent Directors. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration.

The RC's principal responsibilities are to:

- recommend to the Board base salary levels, benefits and incentive programs, and also to identify components of salary which can best be used to focus management staff on achieving corporate objectives;
- approve the structure of the compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- review, on an annual basis, the specific compensation packages of the Company's Directors and the Group CEO; and
- review and submit to the Board proposals for the setting-up of share option schemes or long term incentive schemes.

CORPORATE GOVERNANCE REPORT

The members of the RC carry out their duties in accordance with the terms of reference which include the following:

- review and recommend to the Board for endorsement, a general framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
- review and recommend to the Board, the specific remuneration packages for each Director as well as for the key management personnel;
- review the level and mix of remuneration and benefits, policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews;
- implement and administer the Company's share option plan, if any;
- review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- review the development of senior staff and assess their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC from time to time and where necessary seeks advice from an external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel. The RC will ensure that the consultant does not have any connection with the Group or any of its Directors which could affect their independence and objectivity. No remuneration consultants were engaged by the Company during FY2018.

There are appropriate and meaningful measures in place for the purpose of assessing the performances of Executive Directors and senior management staff.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate Executive Directors, and to align their interests with those of shareholders, by linking rewards to corporate and individual performance and therefore promoting the long-term success of the Group.

In this regard, the RC:

- takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the group's relative performance and the performance of individual Directors;
- considers whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive schemes);
- reviews the terms, conditions and remuneration of the Executive Directors, and ensures that his total remuneration package has a significant portion of performance-related elements.

The Independent Directors have no service contracts with the Company and their terms are specified in the Company's Constitution. Non-executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The fee payment takes into account factors such as effort and time spent, and responsibilities undertaken and their contributions to the Board. The fees paid to the Company's Independent Directors are also benchmarked against Independent Directors' fees paid by companies in the same industry and with similar scale of operation. The RC is of the view that the Company's Independent Directors are not over-compensated to the extent that their independence may be compromised. Such fees are subject to the approval of the shareholders as a lump sum at the AGM.

The Executive Directors do not have fixed-term service contracts with the Company, and their service contracts do not contain onerous removal clauses. Notice periods in service contract are typically set at period of six months or less. There are incentive components in the remuneration package for the Group's Executive Chairman and Group CEO which are linked to his performance which is assessed based on the Group's financial performance. This remuneration package has been designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance in order to promote the long-term sustainability of the Group. There are currently no incentive components in the service contracts with other Executive Director and key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives except in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE REPORT

The RC has established a suitable remuneration framework to incentivise, compensate and reward the key management and executives. The remuneration policy for staff adopted by the Company, where appropriate, comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is determined at the discretion of the Company, taking into consideration the performances of the Group businesses and respective employees. The Company has no employee share incentive scheme or other long term incentives.

A share option scheme, which would be administered by the RC, may when appropriate, form another element in the variable component of the pay packages of all employees. Subject to such adjustment as may be made pursuant to the employee share option scheme, the total number of shares in respect of which the Company may grant options would at no time exceed fifteen per cent. (15%) of the total issued share capital of the Company for the time being. The amount of share options, which may be granted to each employee, would be dependent on the grade of the employee, subject to the approval of the RC.

The RC and the Board have collectively endorsed the Company's remuneration policy.

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the Year Ended 31 December 2018

Directors	Remuneration (S\$'000)	Fees* (%)	Fixed Salary (%)	Bonus & Management Incentive (%)	Share-Based Compensation (%)	Benefits & Allowance (%)	Total (%)
Dato' Michael Loh Soon Gnee	9,911	1%	17%	81%	N.A.	1%	100%
Timothy Lim Boon Liat	307	13%	76%	N.A.	N.A.	11%	100%
Dr. Kriengsak Chareonwongsak	40	100%	N.A.	N.A.	N.A.	N.A.	100%
Fong Wai Leong	13	100%	N.A.	N.A.	N.A.	N.A.	100%
Mandie Chong Man Sui	33	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr. Kenneth Yu Keung Yum	52	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr. Daniel Yeoh Ghee Chong	62	100%	N.A.	N.A.	N.A.	N.A.	100%
Mohd. Sopiyan B. Mohd. Rashdi	67	100%	N.A.	N.A.	N.A.	N.A.	100%

* The directors' fees refer to the proposed fees for FY2018 which are subject to shareholders' approval in the forthcoming AGM.

Top 5 executives within each band of remuneration are as follows:

Remuneration Band	2018
Below S\$1,000,000	2
Above S\$1,000,000	3

There is no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors, CEO or top five key management personnel.

The total remuneration paid to the top five key management personnel (who are not directors or CEO) was approximately S\$4,653,000. Taking into consideration the competitive industry in which the Group operates, the Company believes that it is not in the best interests of the Company to disclose the names, remunerations, or the breakdown of the remunerations (in percentage or dollar terms) of the top five key management personnel (who are not directors or CEO).

Mr. Kenneth Loh, (son of Executive Chairman, Dato' Michael Loh Soon Gnee) is an employee of the Group whose remuneration exceeded S\$50,000 during the financial year, is an immediate family member of a director.

Shareholders' approval was previously obtained for the implementation of the employee share option scheme in 2001 and the employee share option scheme has expired on 22 May 2011. There are no outstanding share options granted under the expired employee share option scheme.

Directors' fees are also approved by shareholders at every AGM of the Company. The remuneration of the Executive Directors are reviewed by the RC and recommended to the Board for endorsement.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability and Audit

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects. Such responsibility extends to interim and other price sensitive public reports, and reports to regulators. Management provides members of the Board with monthly management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board also reviews legislation and regulatory compliance reports from Management to ensure that the Group complies with the relevant regulatory requirements, including requirements under the Rules of the Listing Manual, with the assistance of the Group's legal counsel.

Financial reports and other price sensitive information, all news releases and analyst presentations are disseminated to shareholders through SGXNet and posted on the Company's website at www.astigp.com.

The Annual Report is disseminated to all shareholders and is available on the Company's website.

Principle 11: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for determining the level of risk tolerance of the Group and the governance of risk by ensuring that the Group has put in place adequate risk management and internal controls systems to manage its significant business risks, so as to safeguard shareholders' investments and the Company's assets.

A crucial function served by the AC is overseeing the Group's risk management framework and policies, as well as the regulation of risks undertaken or faced by the Group. The AC may examine whichever aspects it deems appropriate of the Group's financial affairs, audits and its exposure to risks of a regulatory or legal nature.

The AC keeps under review the efficacy of the Group's system of accounting and internal financial controls. Also kept under constant review is the Group's system of ensuring compliance with legal, operational and regulatory matters, including risk management, amongst others.

In relation to assisting the Board with the risk management function, the AC is guided by the following terms of reference:

- determine the Group's levels of risk tolerance and risk policies;
- oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks;
- make the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance to the SGX-ST's Listing Manual and the Code;
- review the Group's risk profile regularly and the adequacy of any proposed action if necessary; and
- review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board has received assurance from the Executive Chairman and Group CEO, and the Vice President, Finance of the Company that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and
- the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, discussions with external auditors and the review performed by Management and the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's framework of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, is adequate to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value. Nevertheless, the AC and the Board recognise that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

Risk Management and Interested Person Transactions

An assessment of the significant risk areas relevant to the Company's businesses, operations and compliance requirements have been carried out and are identified as follows:

Reliance on the Semiconductor Industry

The Group's products and services are employed in the production of semiconductors. A significant portion of the Company's revenues is directly or indirectly related to the capital expenditures of manufacturers in the semiconductor and electronic assembly industries. These industries may be subject to significant fluctuations as a consequence of general economic conditions and industry cycles. Capital expenditures for producers such as the Group are directly affected as a result of these fluctuations. The Group operates in a cyclical industry and its fluctuations are likely to have an adverse effect on the Group's business, financial condition and results of operations.

Technological Changes

The market for the Group is characterised by rapidly changing technology. The Group's future success will depend upon its ability to develop and introduce new products on a timely and cost-effective basis to meet customers' requirements and address technological developments. Successful product development and introduction include identification of new product requirements and opportunities, the retention and hiring of appropriate research and development personnel, the definition of a product's technical specifications, the successful completion of the development process and the successful marketing of a product.

Foreign Exchange Risk

The Group is exposed to various common financial risks arising in the normal course of business. A significant portion of the Group's revenue is denominated in the United States dollar. Operating expenses and wages are made mainly in local currency. Hence, exchange rate movements in the United States dollar and the Singapore dollar (the Company's reporting currency), amongst others, expose the Group to foreign currency risk. The Group mitigate its foreign exchange exposure risk by utilising its facilities from banks.

Principle 12: Audit Committee

The AC comprises three members, Dr. Daniel Yeoh Ghee Chong ("**AC Chairman**"), Dr. Kriengsak Chareonwongsak and Mr. Mohd. Sopiyan B. Mohd. Rashdi, all of whom are Independent Directors.

The members of the AC have experience in managerial positions across the accounting, banking, audit and finance industries (see Directors' profile on pages 6 and 7 of the annual report). The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions.

During the year, the AC obtained updates from the Company's auditors on changes in accounting standards, corporate governance and other relevant regulations that might have a direct impact on the Group's financial statements.

The AC has the explicit power to conduct or authorise investigations into any matters within its terms of reference, has full access to and co-operation by Management. It has full discretion and the prerogative to invite any Director or executive officer to attend its meetings. All resources that would enable the AC to discharge its duties effectively and expeditiously are made available to the AC.

The AC performs the following functions in accordance with the terms of reference which include the following:

- reviews with the external auditors, their scope and results of the external audit work, the audit plan, audit reports and any matters which the external auditors wish to discuss;
- reviews with the internal auditors at least annually, checks on the adequacy of the internal audit procedures and an evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls and risk management;
- reviews the internal audit function to ensure that it is adequately resourced and has appropriate standing within the Group;
- reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Group and that of any formal announcement made quarterly or annually relating to the Group's financial performance including announcements to shareholders and the SGX-ST prior to the submission to the Board;
- reviews any significant findings of internal investigations;

CORPORATE GOVERNANCE REPORT

- makes recommendations to the Board on the appointment of external auditors, the audit fee, terms of engagement and any questions of their resignation or dismissal;
- reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditor;
- reviews the assistance given by the Company's officers to the external and internal auditors;
- reviews and monitors interested person transactions, if any, arising and to ensure that the SGX-ST Listing Manual internal control procedures approved by shareholders are adhered to in relation to such transaction;
- reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate; and
- conducts an annual review of the independence and objectivity of the Company's external auditors, including the volume of non-audit services supplied by the external auditors, to satisfy itself that the nature and extent of such services have not prejudiced the independence and objectivity of the external auditors before confirming their re-nomination.

The AC held four (4) meetings during the year at the Company's principal place of business, attendance of which is detailed on page 4 of this report. The Executive Chairman and Group CEO, Vice President, Finance, Group Administrative Officer (Mr. Timothy Lim Boon Liat), legal counsels, internal auditors and external auditors were invited to these meetings. Other members of senior management were also invited to attend as appropriate to present reports.

The AC met with the Company's external auditors, Ernst & Young LLP ("**E&Y**") two (2) times in FY2018. Parts of the meetings were conducted without the presence of Management. Reports of the findings and recommendations by external auditors were done independently and presented to the AC.

The principal activities of the AC during FY2018 are summarised below:

Financial reporting

The AC met on a quarterly basis and reviewed the quarterly and full year results announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the full year financial statements and also discussed with management, Vice President, Finance and the external auditors the significant issues and adjustments resulting from the audit, and any significant deficiencies in internal controls over financial reporting matters that came to the external auditor's attention during their audit together with their recommendations.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC.

Key audit matters	How AC reviewed these matters and what decisions were made
Impairment assessment of property, plant and equipment	The AC reviewed the impairment assessment of property, plant and equipment presented by management. The AC also reviewed the key assumptions used by management in the impairment assessment, as well as the External Auditor's findings, audit report and addendum presented. Subsequent to the reviews, the AC concurred with the Management's assessment and was satisfied on the on the impairment provided.
Allowances for doubtful debts	The AC considered and evaluated the appropriateness of the Group's policies on allowance for doubtful debts. The AC has reviewed the Management's assessment on the allowance for doubtful debts, as well as the External Auditor's findings and audit report presented at the year-end meeting. Subsequent to the reviews, the AC concurred with the Management's assessment and was satisfied on the adequacy of the allowances provided.
Allowances for stock obsolescence	The AC considered and evaluated the appropriateness of the Group's policies on allowance for stock obsolescence. The AC has reviewed the Group's allowance for stock obsolescence presented by Management, as well as the External Auditor's findings and audit report presented at the year-end meeting. Based on the reviews performed, the AC was satisfied with the Management's assessment on the adequacy of the allowances provided.

CORPORATE GOVERNANCE REPORT

External audit processes

The AC manages the relationship with the Group's external auditors, E&Y, on behalf of the Board. During FY2018, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that E&Y be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of E&Y.

The AC has reviewed the independence of E&Y taking into account the volume of non-audit services supplied by them and is satisfied that the provision of such services does not affect their objective position as independent external auditor. The fees related to the audit and non-audit services provided by E&Y for FY2018 are S\$394,000 and S\$29,000 respectively. These fees are also disclosed in the notes to the financial statements.

Pursuant to the requirement in the SGX-ST Listing Manual, an audit partner may only be in charge of a maximum of five (5) consecutive annual audits and may then return after two (2) years. The current audit partner from E&Y for the Company took over from the previous audit partner from the financial year ended 31 December 2016. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal controls

During the year, the AC reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with management, the internal auditors and external auditors.

The AC considered and reviewed with management and the internal auditors the following:

- annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group; and
- significant internal audit observations and management's response thereto.

The AC has reviewed the adequacy of the internal audit function and is satisfied that KPMG Services Pte. Ltd. (the "**Internal Auditor**") has adequate resources to carry out the internal audit function.

Each member of the AC abstains from voting on any resolution and making any recommendations and/or participating in any deliberations in respect of matters in which he is interested.

The Company's external auditors, E&Y, held discussions with management and proposed improvements to certain internal controls which they noted in the course of their statutory audit. Management, with the assistance of the Internal Auditor, follows up on the external auditor's recommendations as part of its role in the review of the Company's internal control systems. The Board is satisfied that the Company's internal controls are at present adequate.

Whistle-blowing policy

The Company has implemented a whistle blowing policy since September 2007 that provides well-defined and accessible channels through which any employee may raise any concerns they may have about improper conduct or malpractices within the Group. Any concerns may be raised, either anonymously or otherwise, directly to the Lead Independent Director and the identity of the person raising the concern is strictly protected to the extent practicable in law. The Lead Independent Director has direct oversight in the administering of the policy with the assistance of the Group Administrative Officer. The AC has reviewed and is satisfied with the adequacy of the whistle blowing policy.

There were no formal complaints received by the Company under the whistle-blowing policy implemented by the Company up to the date of this annual report.

No former partner or director of E&Y or KPMG is or has acted as a member of the company's AC.

Principle 13: Internal Audit

The internal audit function was outsourced to the Internal Auditor in FY2018. The Internal Auditor is independent of the activities it audits. The methodology adopted by the Internal Auditor is in conformity to the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

The AC approves the engagement, termination, evaluation and fees of the Internal Auditors. The Internal Auditor, who reports directly on audit matters to the Chairman of the AC, has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The Internal Auditor assists the AC in monitoring and assessing the effectiveness of the Group's material internal controls. The Internal Auditor also assists Management in identifying operational and business risks and provides recommendations to address those risks.

The Internal Auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC ensures that the internal audit function is adequately resourced and has the capabilities to adequately perform its functions. In this regard, the AC reviews on an annual basis the effectiveness of the Internal Auditor by examining the scope of the Internal Auditor's work, quality of its reports, reporting structure within the Group, qualifications and training, relationship with the external auditor, and its independence of the areas reviewed. The AC is of the view that the Internal Auditor is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company is mindful of the obligation to provide regular, effective and fair communication with shareholders and ensures that all the Company's shareholders are treated equitably and the rights of all shareholders are protected. The Company conducts dialogue sessions with investors, securities analysts, fund managers and the press as and when necessary.

On a regular and timely basis, the Company disseminates material information simultaneously through news and press releases via SGXNet and electronic mail to securities analysts, shareholders, and the media. The Company also posts these press releases on its public website, www.astigp.com, to ensure that all shareholders and the public gain fair and sufficient access to information, changes, updates and the archives of the Company or its businesses which would be likely to materially affect the price or value of the company's shares. The website also provides a channel for shareholders to raise any concerns or issues, if any.

As part of the Company's investor relations policy, the Company maintains an investor relations section on the Company's website dedicated to ensuring that pertinent information is conveyed to shareholders. Current and past annual reports, quarterly financial results and other information considered to be of interest to shareholders and the investment community are readily available on the section.

Information is always communicated to shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a select group, the Company has made the same disclosure publicly to all others as soon as practicable.

The Company invites the media, securities analysts, fund managers or shareholders to its general meetings, or briefings that follow major announcements and events, such as earnings releases and trade exhibitions.

Shareholders are informed of shareholders' meetings through timely and formal notices published in the newspapers. All relevant reports and/or circulars sent in advance to all shareholders so that they can familiarise themselves with the issues that will be raised at general meetings. Shareholders are also given opportunities to raise questions, and to communicate their views on issues which affect the Company, at general meetings and to vote in absentia. Every shareholder is entitled to appoint not more than two proxies to attend the general meeting and vote in his stead, provided the member name is certified by the Depository (Nominee Company) to the Company as appearing on the Depository Register not earlier than 72 hours before the AGM as a Depositor on whose behalf the Depository holds shares in the Company. The Companies Act allows certain members who are relevant intermediaries such as corporations holding licences in providing nominee and custodial services and the central provident fund ("CPF") Board which purchases shares on behalf of CPF investors, to appoint multiple proxies to attend and participate in general meetings.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by poll voting, which allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. Independent scrutineers brief the shareholders on the e-polling voting process and verify and tabulate votes for each resolution. Shareholders are informed of the results of the voting at the general meetings, including the number of votes cast for and against each resolution and the respective percentages at the end of the general meeting. In addition, the voting results at the general meetings showing the number of votes cast for and against each resolution and the respective percentages and the name of the independent scrutineer will be announced via SGXNET after each general meeting. The company secretary prepares minutes of shareholders' meetings, which incorporate comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

CORPORATE GOVERNANCE REPORT

The Company's external auditor, chairpersons of the AC and the RC are present at AGMs to assist the Board and Management to address any questions shareholders may have regarding the Company's conduct of its businesses.

At general meetings, each substantially separate issue is dealt with in separate resolutions and bundling of resolutions are avoided unless the resolutions are interdependent and linked so as to form one significant proposal.

Whenever possible and appropriate, the Company fulfils requests from securities analysts, stockbrokers, dealers, fund managers and journalists for telephone and face-to-face interviews and meetings with Management.

The Company currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of the Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the Shareholders. The Directors may also declare an interim dividend without the approval of the Shareholders. No dividend was declared in respect of FY2018 as the Group had incurred losses in the year.

Minutes of general meetings that include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from the Board and Management are available upon request.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "**Internal Code**") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times. The adoption of this Internal Code has been notified to all Directors, officers and employees of the Group.

The Internal Code provides that the Company, its officers and employees of the Group should not deal in securities of the Company when they are in possession of any unpublished material price-sensitive information in relation to those securities as this is an offence.

The Company's Internal Code also provides that the Company, its officers and employees of the Group should not trade in the Company's securities during the period commencing two weeks before the date of announcement of the Company's quarterly and half-year financial results and the period commencing one month before the date of announcement of the Company's full-year financial results, ending on the date of announcement of the relevant results.

In addition, the Company's officers and employees should not deal in the Company's securities for short-term considerations.

The Internal Code complies with, and the Board confirms that for FY2018, the Company has complied with, Rule 1207(19) of the SGX-ST Listing Manual.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and Group CEO, directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Interested Person Transactions

The risks associated with interested person transactions relates not only to compliance issues but also the prevention of transactions being carried out on terms that are less than favourable and not at arm's length.

There are no interested person transactions during FY2018.

The AC will continue to review and monitor any interested person transactions that may arise and ensures that the Company seeks appropriate approvals, makes appropriate announcements or disclosures on these transactions in accordance with Chapter 9 of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

Information on Directors nominated for re-election – Appendix 7.4.1 of the Listing Manual

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
Date of Initial Appointment	1 May 2018	1 May 2018	12 August 2011	23 October 2003
Date of last reappointment (if applicable)	Not Applicable	Not Applicable	29 April 2017	29 April 2017
Age	56	46	64	62
Country of principal residence	Malaysia	Malaysia	Thailand	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Mohd. Sopiyan B. Mohd. Rashdi as the Non-Executive and Independent director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Mohd. Sopiyan's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Dr. Daniel Yeoh as the Non-Executive and Independent director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Dr. Daniel Yeoh's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Dr. Kriengsak Chareonwongsak as the Non-Executive and Independent director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Dr. Kriengsak's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Dato' Michael Loh Soon Gnee the Executive director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Dato Michael Loh 's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive	Executive <ul style="list-style-type: none"> • provides input on broad strategic directions for the Company • manages the daily running of the business • leads the Board to ensure its effectiveness on all aspects of its role • ensures an accurate, timely and clear flow of information to the Directors, promoting a culture of openness and debate at the Board • ensures effective communication with shareholders, encouraging constructive relations between the Board and Management • facilitates effective contribution of the Independent Directors and promoting high standards of corporate governance.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> • Non-Executive and Independent director • Remuneration Committee Chairman 	<ul style="list-style-type: none"> • Non-Executive and Independent director • Audit Committee Chairman 	<ul style="list-style-type: none"> • Non-Executive and Independent director • Nominating Committee Chairman 	<ul style="list-style-type: none"> • Executive Chairman & Chief Executive Officer

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
Professional Qualifications	<ul style="list-style-type: none"> Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391) Degree in Accountancy, University iTM , Malaysia 	<ul style="list-style-type: none"> PhD (Finance), Australian National University Bachelor of Commerce (Hons), University of Adelaide Bachelor of Economics, University of Adelaide 	<ul style="list-style-type: none"> PhD Economics, Monash University, Australia D.Phil Management, University of Oxford, UK Master of Public Administration, Harvard University, USA Master of Studies, Cambridge University, UK Bachelor of Economics (First Class Honours), Monash University, Australia 	<ul style="list-style-type: none"> Bachelor of Science Double Major in Business Economics & Chemical Engineering, State University of New York, Buffalo, USA
Working experience and occupation(s) during the past 10 years	<p><u>2011 – Current</u></p> <p>Dragon Group International Limited Director & Audit Committee Chairman</p> <p><u>2018 – Current</u></p> <p>ASTI Holdings Limited Director and Remuneration Committee Chairman</p> <p><u>2015- Current</u></p> <p>PT Renewable Energi Financial Adviser</p> <p>PT Pan Pages Director</p> <p>PT Bintang Makmur Prima Directors & CFO</p> <p>PT Dragon Terra Ventura Founder/CEO</p> <p>PT Envy Technologies CEO</p> <p>PT Expose Mandala Putra CEO</p> <p>LCK Group Corp. Finance Advisor</p> <p>PT Cendrawasih Global International Corp. Finance Advisor</p>	<p><u>2009 – 2013</u></p> <p>Epsom College Malaysia Sdn Bhd Alternate Director</p> <p><u>2015- Current</u></p> <p>Consortio Services Pte Ltd Director</p> <p><u>2017-Current</u></p> <p>Dragon Group International Limited Independent Director</p>	<p><u>2018 – Current</u></p> <p>Interprime Media Co., Ltd Chairman</p> <p>NBI Holding Co.,Ltd. Director & Shareholder</p> <p>NBII Co.,Ltd Director & Shareholder</p> <p><u>2017 - Current</u></p> <p>IPS Consultancy Co., Ltd. Director & Shareholder</p> <p><u>2016 - Current</u></p> <p>Can Do World Co., Ltd Chairman</p> <p>Can Do Holding Co., Ltd Chairman</p> <p>Can Do Group Co., Ltd Chairman</p> <p>Can Do City Co., Ltd Chairman</p> <p>Krungthai-AXA Life Insurance Public Co., Limited Director</p> <p><u>2011 – Current</u></p> <p>ASTI Holdings Limited Director</p>	<p><u>Past 10 years</u></p> <p>ASTI Holdings Limited Executive Chairman & Chief Executive Officer</p> <p>Dragon Group International Limited Executive Chairman & Chief Executive Officer</p> <p>Advanced Systems Automation Limited Executive Chairman & Chief Executive Officer</p> <p><u>From 2014</u></p> <p>Dragon Technology Distribution Pte Ltd Chief Executive Officer</p>
Shareholding interest in the listed issuer and its subsidiaries	None	None		
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None		

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
Conflict of interest (including any competing business)	None	None		
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes		
Other Principal Commitments* Including Directorships# **Principal Commitments** has the same meaning as defined in the Code - "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)				
Past (for the last 5 years)	<ul style="list-style-type: none"> PT Bintang Makmur Prima MHS Land Sdn. Bhd. Winsun Technology Bhd Wintoni Bhd 	None	<ul style="list-style-type: none"> Thai Future Energy Holding Company Limited 	<ul style="list-style-type: none"> Semiconductor Technologies & Instruments Pte Ltd Axesstel Inc. Flexcomm Capital Pte. Ltd.
Present	<ul style="list-style-type: none"> ASTI Holdings Limited PT ENVY Technologies Indonesia Tbk PT Panpages Indonesia Dragon Group International Limited PT Dragon Terra Ventura PT Orient Technology Indonesia Advanced Systems Automation Limited Gagah Kejuruteraan Sdn Bhd Long Term Portfolio Sdn Bhd 	<ul style="list-style-type: none"> DTB Limited ASTI Holdings Limited Dragon Group International Limited Novel Link Malaysia Sdn Bhd Consortio Services Pte Ltd 	<ul style="list-style-type: none"> Interprime Media Co., Ltd NBI Holding Co.,Ltd. NBII Co.,Ltd Capital Trust Group Limited IPS Consultancy Co., Ltd. Can Do World Co., Ltd Can Do Holding Co., Ltd Can Do Group Co., Ltd Can Do City Co., Ltd Krungthai-AXA Life Insurance Public Co., Limited ASTI Holdings Limited Asia Broadband Co., Ltd. E-Business Co., Ltd. Aeroponics (Thailand) Co., Ltd. Success Farm Co., Ltd. Success Biotech Ltd. Success Holdings Co., Ltd. Success Information Systems Co., Ltd. Success Publishing Co., Ltd. Success Technology Co., Ltd. Success Capital Ltd. Success Leather Co., Ltd. Success Development Co., Ltd. Success Broadcasting Network Co., Ltd. Success Media Co., Ltd. Success Books Co., Ltd. Dunamis Trading Co., Ltd. Success Aviation Co., Ltd. Dunamis Vetcare Co., Ltd. Dunamis International Corporation 	<ul style="list-style-type: none"> ASTI (USA) Inc. Eocell Ltd Eocell, Inc. Telford Industries Pte Ltd Eoplex Limited Eoplex Inc. Peratech Limited Dragon Venture Limited Advanced Systems Automation Limited Technollis Sdn Bhd (Subsidiary of Axesstel) Flexcomm Limited (Subsidiary of Axesstel) FlexPro (H.K.) Limited Nanjing DTB Development Co., Ltd Jiangsu Longjiang Ship Building Co., Ltd. DTB Limited Prosem Technology Sdn. Bhd. Dragon Communication & Tech Sdn. Bhd. FlexComm Corporation Procross Technology Sdn. Bhd. ASTI Holdings Limited Dragon Group International Limited Dragon Hill Technology Limited O2IC Inc. O2IC Co., Ltd., Korea Dragon Technology Asia Pacific Group Corp. Dragon Asia Pacific Group Corporation Dragon Electronics Sdn. Bhd. Sumiro Ltd Dragon Technology Distribution Pte Ltd

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mohd. Sopiyan B. Mohd. Rashdi	Dr. Daniel Yeoh Ghee Chong	Dr. Kriengsak Chareonwongsak	Dato' Michael Loh Soon Gnee
Disclosure applicable to the appointment of Director only				
<p>Any prior experience as a director of an issuer listed on the Exchange? (Yes/No)</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p>	<p>Yes.</p> <ul style="list-style-type: none"> • ASTI Holdings Limited • Dragon Group International Limited 			<p>Yes.</p> <ul style="list-style-type: none"> • Dragon Group International Limited • ASTI Holdings Limited (past)
<p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Not applicable as this is a re-election of director.</p>	<p>Not applicable as this is a re-election of director.</p>	<p>Not applicable as this is a re-election of director.</p>	<p>Not applicable as this is a re-election of director.</p>

APPENDIX 2

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2018

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

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- 9 Balance Sheets
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- 11 Consolidated Statement of Comprehensive Income
- 12 Consolidated Statement of Changes in Equity
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DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of ASTI Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Dato' Michael Loh Soon Gnee
 Timothy Lim Boon Liat
 Mandie Chong Man Sui
 Dr Kriengsak Chareonwongsak
 Mohd. Sopiyan B. Mohd. Rashdi
 Dr Daniel Yeoh Ghee Chong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Directors	At the beginning of financial year	At the end of financial year	At 21 January 2019
Ordinary shares of the Company			
Dato' Michael Loh Soon Gnee			
- direct interest	65,209,600	130,209,600	130,209,600
- deemed interest	65,000,000	—	—
Mandie Chong Man Sui			
- deemed interest	136,800	—	—
Timothy Lim Boon Liat			
- held in name of spouse	99,000	99,000	99,000

DIRECTORS' STATEMENT (CONT'D)

Name of Directors	At the beginning of financial year	At the end of financial year	At 21 January 2019
Ordinary shares of the related party Advanced Systems Automation Limited			
Dato' Michael Loh Soon Gnee			
- direct interest	4,444,444,444	4,444,444,444	4,444,444,444

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

OPTIONS

During the financial year, there were:

- (a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (b) no other shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

AUDIT COMMITTEE

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

DIRECTORS' STATEMENT (CONT'D)

AUDIT COMMITTEE (CONT'D)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

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

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

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board:

Dato' Michael Loh Soon Gnee
Director

Timothy Lim Boon Liat
Director

16 July 2019

INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2018

Report on the Audit of the Financial Statements to the members of ASTI Holdings Limited

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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 period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Contingent consideration receivable on disposal of STI Group

As disclosed in Note 7(c)(i), the Group disposed the STI Group during the year. The terms of the sale and purchase agreement state that S\$9,000,000 of the consideration is contingent upon whether STI Group's aggregate audited profit before taxes for 2018 and 2019 exceed S\$17,000,000.

As at 31 December 2018, the Group had included the contingent consideration of S\$9,000,000 in the disposal price and recognized a corresponding receivables from the buyer.

INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2018

Key Audit Matters (cont'd)

Contingent consideration receivable on disposal of STI Group (cont'd)

Due to the significant judgment required in estimating the future profits of STI Group in 2019 in determining the recoverability of the contingent consideration, we have considered this to be a key audit matter.

In assessing management's judgement and estimates in determining the recoverability of the contingent consideration, we obtained a copy of the sale and purchase agreement to obtain an understanding of the terms and conditions relating to the contingent consideration. We reviewed management's assumptions used to estimate if STI Group's audited profit before taxes for 2018 and 2019 would exceed S\$17,000,000. This includes considering the reasonableness of the key assumptions used to estimate the expected profit, such as sales growth rates and forecasted gross margins. We tested the robustness of management's forecasts by performing sensitivity analysis on management's forecast of STI Group's audited profit before taxes for 2018 and 2019. We assessed the reasonableness of these assumptions by comparing against industry forecasts and historical trends.

Legal matters relating to an ex-employee of the Group

As stated in Note 48, the Group received a confidential settlement claim letter from an ex-employee on 7 February 2019. The ex-employee, who was terminated in 2018, also filed a claim with the California Labor Commissioner's Office on 18 June 2019. Management has assessed the facts and circumstances surrounding this claim which refer to employment and shareholder disputes that arose in 2018, as well as commission and bonus claims for the years 2017 and 2018. Based on legal advice received, management is of the view that the Group does not have any obligation for the claims.

This disclosure was significant to our audit due to the size of the claim and management judgment involved in assessing whether it is probable that an outflow of resources embodying economic benefits will be required to settle the claims. Our audit procedures included inquiring the in-house legal counsel regarding the status and potential outcome of the claim, requesting and reviewing legal correspondences between the Group and its external legal advisors, as well as reviewing the adequacy of the related disclosures.

Allowance for stock obsolescence

As of 31 December 2018, total inventory and the related allowances for stock obsolescence amounted to S\$3,064,000 and S\$1,204,000 respectively. We focused on this area as the gross inventory and the allowance for stock obsolescence carrying amounts are material to the financial statements, and the determination of stock obsolescence involves a significant level of management judgment.

As part of our audit procedures, we attended and observed management's inventory counts at all material inventory locations. We tested, on a sample basis, the carrying value of the inventory by performing testing on the accuracy of the standard costing, ageing of inventories, and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to obsolete inventories, and the expected demand and selling price. We also assessed the adequacy of the disclosures related to inventories in Note 10.

Assessment for impairment of receivable from third party

As stated in Note 15, the Group had a receivable with a gross amount of S\$422,000 due from a third party and a full impairment charge was recognised against the receivable during the year ended 31 December 2018. Management exercised significant judgement in their assessment as to whether the receivables are recoverable. These judgements include the evaluation of specific facts and circumstances relating to the recoverability of this receivable.

This area was significant to our audit due to the quantum and judgment involved in the impairment assessment of the receivable. Our audit procedures included obtaining an understanding of the nature of the payments made to and on behalf of the third party, checking to the loan agreement and Board approvals to understand the key terms, vouching the payments to the payment advices and bank statements, inquired with and reviewed management's assessment and rationale for the full impairment loss by analysing the specific facts and circumstances surrounding the recovery of the amounts.

INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2018

Impairment of investment in a subsidiary (Company only)

As at 31 December 2018, the Company had investments in subsidiaries amounting to S\$7,910,000. As stated in Note 7, an impairment charge of S\$1,995,000 was recognised against its investment in a subsidiary during the financial year.

This area was significant to our audit due to the significance of the carrying value of these assets, as well as the judgment involved in the assessment of the recoverable value of these investments. Key assumptions and estimates used in assessing the recoverable value include projected future cash flows and growth rates. As such, we have identified this matter as a key audit matter.

Our audit procedures included, amongst others, assessing the reasonableness of the assumptions used in the cash flow projection prepared by management, by comparing the assumptions used against the historical performance of the subsidiary and considering the viability of future plans. We also assessed the adequacy of the disclosures related to the impairment of investment in a subsidiary in Note 7.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2018

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2018

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 Simon Yeo Seng Chong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

16 July 2019

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		2018	31 December	1 January	2018	31 December	1 January
		S\$'000	2017	2017	S\$'000	2017	2017
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Non-current assets							
Intangible assets	4	6,410	4,170	2,407	–	–	–
Property, plant and equipment	5	27,312	20,582	20,845	244	79	19
Investment properties	6	303	338	350	–	–	–
Subsidiaries	7	–	–	–	7,910	17,532	20,433
Associates	8	4,357	4,807	–	5,801	5,801	–
Investment securities	9	–	24	22	–	–	–
Prepayments and advances	11	–	–	953	–	–	–
Amounts due from subsidiaries	12	–	–	–	–	–	2,843
Other receivables	15	4,505	–	429	4,500	–	–
Deferred tax assets	25	–	103	181	–	–	–
		42,887	30,024	25,187	18,455	23,412	23,295
Current assets							
Inventories	10	3,064	24,068	24,974	–	–	–
Prepayments and advances	11	781	1,112	1,606	26	92	138
Amounts due from subsidiaries	12	–	–	–	9,940	8,184	8,372
Amounts due from associates	13	2,417	14	–	2,389	–	–
Trade receivables	14	13,804	31,203	34,542	–	–	–
Other receivables	15	14,720	2,839	3,687	13,587	–	–
Cash and cash equivalents	16	23,261	29,616	39,174	10,595	1,485	1,402
		58,047	88,852	103,983	36,537	9,761	9,912
Current liabilities							
Provisions	17	86	409	526	–	–	–
Loans and borrowings	18	2,804	25,161	23,309	–	5,000	5,000
Trade payables and accruals	19	25,305	27,293	29,980	10,433	1,815	1,286
Other payables	20	10,130	8,757	6,530	234	234	279
Amounts due to subsidiaries	21	–	–	–	7,146	315	1,767
Amounts due to associates	22	–	535	–	–	–	–
Lease creditors	23	656	506	583	–	–	–
Income tax payable		831	1,020	1,102	170	120	–
		39,812	63,681	62,030	17,983	7,484	8,332
Non-current liabilities							
Lease creditors	23	1,846	1,325	191	–	–	–
Long term payables	24	2,161	1,028	1,112	–	–	–
Loans and borrowings	18	–	2,061	3,426	–	–	–
Amounts due to subsidiaries	21	–	–	–	–	44,718	34,901
Deferred tax liabilities	25	108	165	143	–	–	–
		4,115	4,579	4,872	–	44,718	34,901
Net assets/(liabilities)		57,007	50,616	62,268	37,009	(19,029)	(10,026)
Equity attributable to owners of the Company							
Share capital	32	132,617	132,617	132,617	132,617	132,617	132,617
Treasury shares	33	(4,772)	(4,772)	(4,772)	(4,772)	(4,772)	(4,772)
Foreign currency translation reserve	34	(95)	296	–	–	–	–
Capital reserves	35	(8,345)	(8,091)	(7,936)	(2,960)	(2,960)	(2,960)
Fair value reserve	36	–	2	–	–	–	–
Accumulated losses		(50,242)	(61,483)	(57,086)	(87,876)	(143,914)	(134,911)
		69,163	58,569	62,823	37,009	(19,029)	(10,026)
Non-controlling interests		(12,156)	(7,953)	(555)	–	–	–
Total equity		57,007	50,616	62,268	37,009	(19,029)	(10,026)

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018 S\$'000	2017 S\$'000
Continuing operations			
Revenue	26	63,400	66,701
Cost of sales		(48,988)	(48,671)
Gross profit		14,412	18,030
Other income	27	2,688	966
Other expense			
Marketing and distribution		(1,759)	(2,938)
Research and development		(4,003)	(4,703)
Administrative expenses		(30,042)	(20,061)
Other expenses, net		(249)	(9,176)
Finance costs, net	29	(429)	(664)
Share of results of associates, net of tax		(2,109)	(1,049)
Loss before tax from continuing operations	28	(21,491)	(19,595)
Income tax expense	25	(1,430)	(1,269)
Loss from continuing operations, net of tax		(22,921)	(20,864)
Discontinued operations			
Profit from discontinued operations, net of tax	30	42,653	6,261
Profit/(loss) for the year		19,732	(14,603)
Attributable to:			
Owners of the Company			
- Continuing operations		(18,317)	(10,658)
- Discontinuing operations		42,653	6,261
		24,336	(4,397)
Non-controlling interests			
- Continuing operations		(4,604)	(10,206)
Total		19,732	(14,603)
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
Basic and diluted	31	(2.80)	(1.63)
Earnings per share (cents per share)			
Basic and diluted	31	3.72	(0.67)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018 S\$'000	2017 S\$'000
Profit/(loss) for the year		19,732	(14,603)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(244)	181
Reclassification of foreign currency translation on disposal of subsidiaries		-	(38)
Share of other comprehensive income of associates		-	(12)
Fair value changes on available-for-sale assets		(2)	5
Other comprehensive income for the year, net of tax		(246)	136
Total comprehensive income for the year		19,486	(14,467)
Attributable to:			
Owners of the Company		23,943	(4,099)
Non-controlling interests		(4,457)	(10,368)
Total comprehensive income for the year		19,486	(14,467)
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax		(18,710)	(10,360)
- Total comprehensive income from discontinued operations, net of tax		42,653	6,261
Total comprehensive income for the year attributable to owners of the Company		23,943	(4,099)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2018 Group	Attributable to equity holders of the Company							Equity attributable to owners of the Company, Total	
	Share capital	Treasury shares	Capital reserves	Fair value reserve	Foreign currency translation reserve	Accumulated losses (Distributable)	Non-controlling interests	Total equity	S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2018 (FRS framework)	132,617	(4,772)	(8,091)	2	(1,598)	(59,589)	(7,953)	58,569	50,616
Cumulative effects of adopting SFRS(I)	-	-	-	-	1,894	(1,894)	-	-	-
Opening balance at 1 January 2018 (SFRS(I) framework)	132,617	(4,772)	(8,091)	2	296	(61,483)	(7,953)	58,569	50,616
Profit for the year	-	-	-	-	-	24,336	(4,604)	24,336	19,732
Other comprehensive income	-	-	-	-	(391)	-	147	(391)	(244)
Foreign currency translation	-	-	-	(2)	-	-	-	(2)	(2)
Fair value changes on available-for sale assets	-	-	-	(2)	-	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	(2)	(391)	-	147	(393)	(246)
Total comprehensive income for the year	-	-	-	(2)	(391)	24,336	(4,457)	23,943	19,486
Contributions by and distributions to owners	-	-	-	-	-	(13,095)	-	(13,095)	(13,095)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-
Increase in interest in subsidiary without change in control	-	-	(254)	-	-	-	254	(254)	-
Total contributions by and distributions to owners	-	-	(254)	-	-	(13,095)	254	(13,349)	(13,095)
At 31 December	132,617	(4,772)	(8,345)	-	(95)	(50,242)	(12,156)	69,163	57,007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2017 Group	Attributable to equity holders of the Company							Equity attributable to owners of the Company, Total	Non- controlling interests	Total equity
	Share capital	Treasury shares	Capital reserves (Non-distributable)	Fair value reserve	Foreign currency translation reserve	Accumulated losses (Distributable)	Equity attributable to owners of the Company, Total			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2017 (FRS framework)	132,617	(4,772)	(7,936)	–	(1,894)	(55,192)	62,823	(555)	62,268	–
Cumulative effects of adopting SFRS(I) Opening balance at 1 January 2017 (SFRS(I) framework)	–	–	–	–	1,894	(1,894)	–	–	–	–
	132,617	(4,772)	(7,936)	–	–	(57,086)	62,823	(555)	62,268	–
Loss for the year	–	–	–	–	–	(4,397)	(4,397)	(10,206)	(14,603)	–
Other comprehensive income	–	–	–	–	346	–	346	(165)	181	–
Foreign currency translation	–	–	–	–	(38)	–	(38)	–	(38)	–
Exchange differences realised on de-registration of subsidiaries	–	–	–	–	(12)	–	(12)	–	(12)	–
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	–
Fair value changes on available-for sale assets	–	–	–	2	–	–	2	3	5	–
Other comprehensive income/(loss) for the year, net of tax	–	–	–	2	296	–	298	(162)	136	–
Total comprehensive income/(loss) for the year	–	–	–	2	296	(4,397)	(4,099)	(10,368)	(14,467)	–
Contributions by and distributions to owners	–	–	–	–	–	–	–	–	–	–
Non-controlling interests' subscription of shares in a subsidiary pursuant to rights issue	–	–	–	–	–	–	–	7,517	7,517	–
Disposal of subsidiaries	–	–	(155)	–	–	–	(155)	(4,547)	(4,702)	–
Total contributions by and distributions to owners	–	–	(155)	–	–	–	(155)	2,970	2,815	–
At 31 December	132,617	(4,772)	(8,091)	2	296	(61,483)	58,569	(7,953)	50,616	–

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018 S\$'000	2017 S\$'000
Operating activities			
Loss before taxation from Continuing Operations		(21,491)	(19,595)
Profit before taxation from Discontinued Operations	30	43,366	6,379
		21,875	(13,216)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	5	6,616	5,296
Depreciation of investment properties	6	17	17
Gain on disposal of property, plant and equipment		(14)	(197)
Property, plant and equipment written off		7	43
Impairment loss on property, plant and equipment	5	–	3,635
Impairment loss on club memberships	4	–	8
Impairment loss on investment securities		22	–
Impairment loss on long term prepayment		–	1,155
Allowance on other receivables	15	444	92
(Write-back of)/allowance for trade receivables	14	(54)	48
Allowance on amounts due from associates		–	4,824
Write back on allowance on amounts due from associates		(23)	–
Allowance for stock obsolescence	10	616	242
Provisions for warranty	17	81	198
Restructuring	17	331	–
Gain on disposal of subsidiaries	7	(34,530)	(2,945)
Gain on disposal of club membership		–	(73)
Gain on deemed disposal of associates		(1,636)	–
Costs relating to disposal of subsidiary (Note 7(c)(i))		21,837	–
Net fair value gain on derivatives		–	(68)
Share of results of associates		2,109	1,049
Interest income from discontinued operations		–	(1)
Interest expense from discontinued operations		–	451
Interest income from continuing operations	29	(305)	(151)
Interest expense from continuing operations	29	559	646
Effects of exchange (gain)/loss		(109)	2,033
Operating cash flows before changes in working capital		17,843	3,086
<u>Changes in working capital</u>			
(Increase)/decrease in:			
Receivables		(8,945)	(4,179)
Inventories		(4,144)	(4,412)
Amounts due from associates		(527)	(170)
Increase/(decrease) in:			
Payables		(11,436)	8,497
Provisions		(244)	(277)
Cash flows (used in)/generated from operations		(7,453)	2,545
Interest paid		(559)	(1,012)
Interest received		314	152
Income tax paid		(1,578)	(1,304)
Net cash flows (used in)/generated from operating activities		(9,276)	381

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 S\$'000	2017 S\$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	77	271
Proceeds from disposal of club membership	–	141
Purchase of property, plant and equipment (Note (i))	(7,012)	(7,330)
Expenditure on development project	–	(249)
Expenditure on research and development project	(2,150)	(2,117)
Extension of club membership	–	(19)
Loan to associates	(2,400)	(665)
Cash and cash equivalents in subsidiaries disposed of	(17,310)	(6,920)
Cash consideration received from disposal of subsidiaries	72,000	–
Costs relating to disposal of subsidiary (Note 7(c)(i))	(21,837)	–
Net cash flows generated from/(used in) investing activities	21,368	(16,888)
Financing activities		
Payment to finance lease creditors	(661)	(605)
Proceeds from bank borrowings	1,878	4,713
Repayments of bank borrowings	(6,351)	(3,758)
Other borrowings, net	–	(559)
Proceeds from rights issue exercise of a subsidiary	–	7,517
Advances for capital injection from non-controlling interest	168	407
Dividends paid on ordinary shares by the Company	45 (13,095)	–
Net cash flows (used in)/generated from financing activities	(18,061)	7,715
Net decrease in cash and cash equivalents	(5,969)	(8,792)
Cash and cash equivalents at 1 January	29,616	39,174
Effects of exchange rate changes on cash and cash equivalents	(386)	(766)
Cash and cash equivalents at 31 December	23,261	29,616

(i) Purchase of property, plant and equipment

Property, plant and equipment were acquired by means of:

Group	2018 S\$'000	2017 S\$'000
Cash payments	7,012	7,330
Finance leases and other payables	6,821	5,854
	13,833	13,184

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATION INFORMATION

ASTI Holdings Limited (the “Company”) was incorporated in the Republic of Singapore on 27 March 1999 as a public company limited by shares. The Company is domiciled in the Republic of Singapore and was admitted to the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System (“SGX-SESDAQ”) on 8 July 1999. Effective 28 April 2005, the listing and quotation of the Company’s shares was transferred to the official list of the SGX Mainboard.

The registered office of the Company is located at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542. The principal place of the Company’s business is located at Block 25 Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416.

The principal activities of the Company are those of investment holdings and acting as corporate manager and advisor in connection with the administration and organisation of the businesses of its subsidiaries.

The principal activities of the subsidiaries and associates are disclosed in Note 7 and Note 8.

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

2. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of ASTI Holdings Limited for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 16 July 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 3.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$’000), except when otherwise indicated.

3.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 *First-time adoption of SFRS(I) (Cont'd)*

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of \$1,894,000 was adjusted against the opening retained earnings as at 1 January 2017.
- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments*: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 *First-time adoption of SFRS(I) (Cont'd)*

SFRS(I) 9 *Financial Instruments (Cont'd)*

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. For the Group's available for sale securities, the Group continues to measure them at fair value through profit or loss. There is no significant impact arising from the adoption.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

There was no significant impact to the Group upon adoption of SFRS(I) 9.

SFRS(I) 15 *Revenue from Contracts with Customer*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017;
- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of provision of solutions and technologies in the back-end arena of the semiconductor industry, and provision of semiconductor application in consumer electronics, computer peripheral and communication solution. The Group has assessed that there was no significant impact upon adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 *First-time adoption of SFRS(I) (Cont'd)*

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group		
	1 January 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	1 January 2017 (SFRS(I)) S\$'000
Non-current assets			
Intangible assets	2,407	–	2,407
Property, plant and equipment	20,845	–	20,845
Investment properties	350	–	350
Investment securities	22	–	22
Prepayments and advances	953	–	953
Other receivables	429	–	429
Deferred tax assets	181	–	181
	25,187	–	25,187
Current assets			
Inventories	24,974	–	24,974
Prepayments and advances	1,606	–	1,606
Trade receivables	34,542	–	34,542
Other receivables	3,687	–	3,687
Cash and cash equivalents	39,174	–	39,174
	103,983	–	103,983
Current liabilities			
Provisions	526	–	526
Loans and borrowings	23,309	–	23,309
Trade payables and accruals	29,980	–	29,980
Other payables	6,530	–	6,530
Lease creditors	583	–	583
Income tax payable	1,102	–	1,102
	62,030	–	62,030
Non-current liabilities			
Lease creditors	191	–	191
Long term payables	1,112	–	1,112
Loans and borrowings	3,426	–	3,426
Deferred tax liabilities	143	–	143
	4,872	–	4,872
Net assets	62,268	–	62,268
Equity attributable to owners of the Company			
Share capital	132,617	–	132,617
Treasury shares	(4,772)	–	(4,772)
Foreign currency translation reserve	(1,894)	1,894	–
Capital reserves	(7,936)	–	(7,936)
Fair value reserve	–	–	–
Accumulated losses	(55,192)	(1,894)	(57,086)
	62,823	–	62,823
Non-controlling interests	(555)	–	(555)
Total equity	62,268	–	62,268

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 *First-time adoption of SFRS(I) (Cont'd)*

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of new accounting standards on 31 December 2017 to the balance sheet of the Group.

	Group		
	31 December 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	31 December 2017 (SFRS(I)) S\$'000
Non-current assets			
Intangible assets	4,170	–	4,170
Property, plant and equipment	20,582	–	20,582
Investment properties	338	–	338
Associates	4,807	–	4,807
Investment securities	24	–	24
Deferred tax assets	103	–	103
	30,024	–	30,024
Current assets			
Inventories	24,068	–	24,068
Prepayments and advances	1,112	–	1,112
Amounts due from associates	14	–	14
Trade receivables	31,203	–	31,203
Other receivables	2,839	–	2,839
Cash and cash equivalents	29,616	–	29,616
	88,852	–	88,852
Current liabilities			
Provisions	409	–	409
Loans and borrowings	25,161	–	25,161
Trade payables and accruals	27,293	–	27,293
Other payables	8,757	–	8,757
Amounts due to associates	535	–	535
Lease creditors	506	–	506
Income tax payable	1,020	–	1,020
	63,681	–	63,681
Non-current liabilities			
Lease creditors	1,325	–	1,325
Long term payables	1,028	–	1,028
Loans and borrowings	2,061	–	2,061
Deferred tax liabilities	165	–	165
	4,579	–	4,579
Net assets	50,616	–	50,616
Equity attributable to owners of the Company			
Share capital	132,617	–	132,617
Treasury shares	(4,772)	–	(4,772)
Foreign currency translation reserve	(1,598)	1,894	296
Capital reserves	(8,091)	–	(8,091)
Fair value reserve	2	–	2
Accumulated losses	(59,589)	(1,894)	(61,483)
	58,569	–	58,569
Non-controlling interests	(7,953)	–	(7,953)
Total equity	50,616	–	50,616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020

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

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases as of 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 *Significant accounting estimates and judgments*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of Dragon Group International Limited ("DGI")

As at 31 December 2018, the Company has an equity interest of 41% in DGI. Management has considered the size of the Company's shareholding relative to the size and dispersion of shareholdings held by other shareholders and determined that it has the current ability to direct the relevant activities of DGI notwithstanding its shareholdings are less than 50%. The Company remains the dominant shareholder based on historical voting records at DGI's general meetings and the Executive Chairman and Group Administrative Officer of the Company are also the Executive Chairman and Group Administrative Officer of DGI, both of whom are responsible for the vision, strategic direction and operational management of DGI. DGI is hence accounted for as a subsidiary and its results are included in the Group's consolidated income statement.

Impairment of receivable from a third party

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group recognised an impairment charge of S\$422,000 for the year ended 31 December 2018 for a receivable due from a third party given that there is significant increase in credit risk since initial recognition based on the facts and circumstances surrounding the receivable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 *Significant accounting estimates and judgments (Cont'd)*

3.3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) **Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

(ii) **Allowance for stock obsolescence**

The Group assesses at the end of each reporting period whether there is any objective evidence that its stocks are impaired. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the net realisable value of the asset. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amount of the Group's inventories and related allowance for stock obsolescence as at 31 December 2018 are disclosed in Note 10.

3.4 ***Basis of consolidation and business combinations***

(i) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 *Basis of consolidation and business combinations (Cont'd)*

(ii) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

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

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

3.5 *Transactions with non-controlling interests*

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

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

3.6 *Foreign currency*

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

(i) **Transactions and balances**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 *Foreign currency (Cont'd)*

(i) **Transactions and balances (Cont'd)**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) **Consolidated financial statements**

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold buildings are measured at cost less accumulated depreciation and impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

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

Freehold buildings	-	50 years
Leasehold properties	-	20 to 50 years or shorter of remaining leases terms and economic useful lives
Furniture and fittings	-	3 - 10 years
Plant and machinery	-	3 - 10 years
Office equipment	-	3 - 10 years
Motor vehicles	-	4 - 5 years

Assets under construction-in-progress are not depreciated as these assets are not yet available for use.

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

3.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held 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 in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 *Investment properties (Cont'd)*

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment property begins when it is available for use and is computed on a straight-line basis over the estimated useful life as follows:

Freehold buildings - 50 years

3.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets include goodwill, project development expenditure, intellectual property, club memberships and customer relationship.

(i) **Project development expenditure**

Project development expenditure relating to raw materials, salaries and other fixed costs incurred in specific development projects are recognised as intangible assets when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the project development expenditure as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

(ii) **Club membership**

Club membership was acquired separately and is stated at cost less impairment losses. The useful life of club membership is estimated to be indefinite and assessment for impairment is performed annually or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash-generating unit level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 *Intangible assets (Cont'd)*

(iii) **Customer relationships**

Customer relationships were acquired in business combinations and are carried at cost less accumulated amortisation and any accumulated impairment losses. The customer relationships has a finite useful life and are amortised over the period of 4 years based on expected pattern of consumption of future economic benefits embodied in the asset.

Customer relationships relate to long-running smooth cooperation for sustained support from customers and principals in addition to price consideration.

Intangible assets are amortised on the following basis:

Development expenditure	- 5 years in line with sales from the related project
Intellectual property	- 5 - 10 years over its estimated useful economic lives

3.10 **Subsidiaries**

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

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

3.11 **Associates**

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 *Financial instruments*

a) **Financial assets**

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 *Financial instruments (Cont'd)*

a) **Financial assets (Cont'd)**

Derecognition

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

b) **Financial liabilities**

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

3.13 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are more than one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and demand deposits.

3.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Costs of materials are determined on a first-in, first-out or weighted average basis according to the nature of the subsidiaries' operations.
- Costs for work-in-progress and finished products are determined on a specific identification basis and include direct materials, direct labour and attributable overheads.

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

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

3.16 *Provisions*

(i) **General**

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) **Warranty provisions**

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

3.17 *Financial guarantee*

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 3.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

3.18 *Borrowing costs*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 *Employee benefits*

(i) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore, Malaysia, Philippines and People's Republic of China ("PRC") companies in the Group make contributions to the Central Provident Fund scheme in Singapore, or Employees Provident Fund in Malaysia, or Social Security System in Philippines, or Social Security Bureau in PRC respectively. These are defined contribution pension schemes. Contributions to these schemes are recognised as an expense in the period in which the related service is performed.

(ii) **Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The net total of service costs is recognised in profit or loss.

3.20 *Leases*

(i) **As lessee**

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

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

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

(ii) **As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.22(v). Contingent rents are recognised as revenue in the period in which they are earned.

3.21 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Sale of goods

Revenue from the distribution sales of components is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group does not adjust revenue recognised for the expected returns as they have assessed them to be insignificant.

(ii) Provision of services

Revenue from provision of manufacturing services is recognised upon the completion, delivery and acceptance of the services rendered.

(iii) Interest income

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

(iv) Dividend income

Dividend income from investments is recognised when the right to receive the dividend has been established.

(v) Rental income

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

3.23 Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the end of reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Taxes (Cont'd)

(ii) Deferred tax

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

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

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

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

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

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

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

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

(iii) Sales tax

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

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

3.24 Share capital and share issue expenses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.25 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

3.26 *Segment reporting*

The Group manages its business based on the Group's nature of business which is independently managed by the respective segment managers responsible for the performance of the respective segments. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.27 *Amounts due from/to subsidiaries/related parties*

Amounts due from subsidiaries/related parties are recognised and carried at cost less an allowance for any uncollectible amounts. Amounts due to subsidiaries/related parties are recognised and carried at amortised cost.

3.28 *Contingencies*

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because:
 - (1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (2) The amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. INTANGIBLE ASSETS

Group	Development expenditure S\$'000	Intellectual property S\$'000	Goodwill S\$'000	Club memberships S\$'000	Customer relationships S\$'000	Total S\$'000
Cost						
At 1 January 2017	10,948	983	15,067	482	459	27,939
Additions	2,117	–	–	19	–	2,136
Disposals	–	–	–	(118)	–	(118)
Disposal of subsidiaries	–	–	(1,705)	(114)	(459)	(2,278)
Currency realignment	(226)	(74)	–	(16)	–	(316)
At 31 December 2017 and 1 January 2018	12,839	909	13,362	253	–	27,363
Additions	2,150	–	–	–	–	2,150
Disposal of subsidiaries	(8,733)	–	(229)	(86)	–	(9,048)
Currency realignment	89	19	–	3	–	111
At 31 December 2018	6,345	928	13,133	170	–	20,576
Accumulated amortisation and impairment loss						
At 1 January 2017	8,733	983	15,067	290	459	25,532
Impairment loss	–	–	–	8	–	8
Disposals	–	–	–	(50)	–	(50)
Disposal of subsidiaries	–	–	(1,705)	(50)	(459)	(2,214)
Currency realignment	–	(74)	–	(9)	–	(83)
At 31 December 2017 and 1 January 2018	8,733	909	13,362	189	–	23,193
Disposal of subsidiaries	(8,733)	–	(229)	(86)	–	(9,048)
Currency realignment	–	19	–	2	–	21
At 31 December 2018	–	928	13,133	105	–	14,166
Net carrying amount						
At 31 December 2018	6,345	–	–	65	–	6,410
At 31 December 2017	4,106	–	–	64	–	4,170
At 1 January 2017	2,215	–	–	192	–	2,407

Development expenditure

Included in the cost of development expenditure was the development of the Group's battery and storage solutions unit which has an amortisation period of five years. As at 31 December 2018, the development costs capitalised under intangible assets amounted to S\$6,345,000 (31 December 2017: S\$4,106,000; 1 January 2017: S\$2,215,000). No amortisation has been recorded as the asset is not yet available for use. All research and development costs not eligible for capitalisation have been expensed and are recognized in the "Research and development" line in profit and loss as incurred during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings* S\$'000	Leasehold properties S\$'000	Furniture and fittings S\$'000	Plant and machinery S\$'000	Office equipment S\$'000	Motor vehicles S\$'000	Constructi on-in-progress S\$'000	Total S\$'000
Cost								
At 1 January 2017	8,251	3,238	8,459	77,881	4,710	366	11,053	113,958
Additions	4	–	1,512	9,529	528	372	1,239	13,184
Disposals/written off	–	–	(446)	(4,920)	(685)	(238)	–	(6,289)
Transfer from inventories	–	–	–	160	–	–	–	160
Disposal of subsidiaries	(1,199)	–	(2,126)	(23,471)	(39)	(40)	–	(26,875)
Currency realignment	(482)	(54)	2,978	(4,609)	1,560	358	(180)	(429)
At 31 December 2017 and 1 January 2018	6,574	3,184	10,377	54,570	6,074	818	12,112	93,709
Additions	2,391	–	1,285	9,376	780	1	–	13,833
Disposals/written off	–	–	(1,513)	(1,004)	(1,578)	(60)	–	(4,155)
Reclassification	–	–	37	(27)	(10)	–	–	–
Disposal of subsidiaries	–	–	(3,093)	(2,018)	(1,783)	–	–	(6,894)
Currency realignment	151	(85)	76	880	11	5	(318)	720
At 31 December 2018	9,116	3,099	7,169	61,777	3,494	764	11,794	97,213
Accumulated depreciation and impairment loss								
At 1 January 2017	2,894	3,238	7,753	66,544	3,892	187	8,605	93,113
Impairment loss	–	–	–	–	–	–	3,635	3,635
Charge for the year	263	–	318	4,129	480	106	–	5,296
Disposals/written off	–	–	(446)	(4,814)	(684)	(228)	–	(6,172)
Disposal of subsidiaries	(185)	–	(1,657)	(21,929)	–	–	–	(23,771)
Currency realignment	(188)	(54)	3,024	(3,575)	1,579	368	(128)	1,026
At 31 December 2017 and 1 January 2018	2,784	3,184	8,992	40,355	5,267	433	12,112	73,127
Charge for the year	253	–	367	5,533	351	112	–	6,616
Disposals/written off	–	–	(854)	(1,659)	(1,512)	(60)	–	(4,085)
Reclassification	–	–	10	(11)	1	–	–	–
Disposal of subsidiaries	–	–	(3,018)	(1,608)	(1,522)	–	–	(6,148)
Currency realignment	56	(85)	56	667	12	3	(318)	391
At 31 December 2018	3,093	3,099	5,553	43,277	2,597	488	11,794	69,901
Net carrying amount								
At 31 December 2018	6,023	–	1,616	18,500	897	276	–	27,312
At 31 December 2017	3,790	–	1,385	14,215	807	385	–	20,582
At 1 January 2017	5,357	–	706	11,337	818	179	2,448	20,845
Net carrying amount of property, plant and equipment under finance leases (Note 23)								
At 31 December 2018	–	–	–	2,204	–	133	–	2,337
At 31 December 2017	–	–	–	1,701	–	184	–	1,885
At 1 January 2017	–	–	–	679	190	–	–	869

* Included freehold land at cost of S\$2,511,000 (31 December 2017: S\$2,458,000; 1 January 2017: S\$3,045,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss recognised

(i) Construction-in-progress

Construction-in-progress relates to the construction of a boat in the People's Republic of China. In 2017, the Group faced unforeseen delays caused by local environmental rules requiring the boat to be repositioned. This resulted in certain disagreements between shareholders of Nanjing DTB. The construction has since been suspended pending a review on the future plans for the project. Given this significant uncertainty over the project as at 31 December 2017, an impairment charge of S\$3,635,000 was recognised in the "Other expenses, net" line item of the consolidated income statement for the financial year ended 31 December 2017, representing the write-down of the construction-in-progress to its recoverable amount of S\$Nil. The recoverable amount was based on its value-in-use and pre-tax discount rate was 16.5%.

Company	Furniture & fittings S\$'000	Office equipment S\$'000	Total S\$'000
Cost			
At 1 January 2017	17	285	302
Additions	7	71	78
At 31 December 2017 and 1 January 2018	24	356	380
Additions	25	247	272
Disposals/written off	(5)	(281)	(286)
At 31 December 2018	44	322	366
Accumulated Depreciation			
At 1 January 2017	14	269	283
Charge for the year	2	16	18
At 31 December 2017 and 1 January 2018	16	285	301
Charge for the year	4	39	43
Disposals/written off	(5)	(217)	(222)
At 31 December 2018	15	107	122
Net carrying amount			
At 31 December 2018	29	215	244
At 31 December 2017	8	71	79
At 1 January 2017	3	16	19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. INVESTMENT PROPERTIES

Group	2018 S\$'000	2017 S\$'000
Cost		
At 1 January	623	614
Currency realignment	(29)	9
At 31 December	594	623
Accumulated Depreciation		
At 1 January	285	264
Charge for the year	17	17
Currency realignment	(11)	4
At 31 December	291	285
Net carrying amount At 31 December	303	338
<u>The following amounts are recognised in profit or loss:</u>		
Rental income from investment properties:		
- Minimum lease payments	190	92
Direct operating expenses (including repairs and maintenance)		
- Rental generating properties	- *	- *

* The amount is less than S\$1,000.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The fair values of the investment properties are approximately S\$796,000 (31 December 2017: S\$828,000; 1 January 2017: S\$818,000) based on a valuation performed as at 31 December 2018. The valuations were performed by Andrew Reilly Associates Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The investment properties are depreciated over 50 years and have estimated lease periods of 2 years to 3 years as at 31 December 2018.

The investment properties held by the Group as at 31 December 2018 are as follows:

Description and Location	Existing Use	Tenure
2 office units, Southfield Industrial Estate, Scotland, United Kingdom	Manufacturing	Freehold

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES

Company	2018	31 December	1 January
	S\$'000	2017 S\$'000	2017 S\$'000
Quoted shares, at cost	37,914	37,914	64,622
Unquoted shares, at cost	23,797	31,652	31,652
Less: Dividend income declared from subsidiary's pre-acquisition reserve	(294)	(294)	(294)
	61,417	69,272	95,980
Impairment loss on quoted shares	(37,914)	(35,919)	(59,726)
Impairment loss on unquoted shares	(15,593)	(15,821)	(15,821)
	7,910	17,532	20,433
Allowance for impairment			
At 1 January	51,740	75,547	
Current year allowance	1,995	–	
Disposal of subsidiaries (Note 7(c)(i))	(228)	(23,807)	
At 31 December	53,507	51,740	
Carrying amount of quoted shares at 31 December	–	1,995	
Market value of quoted shares at 31 December	5,703	4,848	

Impairment testing of investment in subsidiaries

During the year ended 31 December 2018, the Company has performed an impairment assessment on certain subsidiaries which had been dormant or loss-making. Based on the assessment, the management has made additional impairment charge of S\$1,995,000 (31 December 2017: S\$Nil) to write down the investment in a subsidiary to its recoverable amount. The recoverable amount of the investment has been determined based on value-in-use calculations using cash flow projections from management.

(a) The Group has the following significant investments in subsidiaries:

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding		
		2018	31 December 2017	1 January 2017
		%	%	%
Held by the Company				
(3) Semiconductor Technologies & Instruments Pte Ltd (Singapore)	Research, design, development, manufacture and marketing of semiconductor equipment	– *	100	100
(1) Telford Industries Pte Ltd (Singapore)	Provision of semiconductor manufacturing services for surface mount technology components	100	100	100
(2) Telford SVC. Phils., Inc. (Philippines)	Provision of semiconductor manufacturing services for surface mount technology components	100	100	100
(2) Reel Service Limited (United Kingdom)	Investment holding, manufacturing and distribution of carrier tapes and plastic reels and provision of semiconductor manufacturing	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(a) The Group has the following significant investments in subsidiaries (Cont'd):

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding		
		2018	31 December 2017	1 January 2017
		%	%	%
Held by the Company				
(2) Reel Service (Philippines), Inc. (Philippines)	Manufacturing and distribution of carrier tapes and plastic reels and provision of semiconductor manufacturing services for surface mount technology components	100	100	100
(3) Telford Technologies (Shanghai) Pte Ltd (People's Republic of China)	Provision of semiconductor manufacturing services for surface mount technology components	100	100	100
(2) Telford Property Management Inc. (Philippines)	Property investment	100	100	100
(1) Dragon Group International Limited (Singapore)	Investment holding and acting as corporate manager and advisor to its subsidiaries	41	41	41
(1) Advanced Systems Automation Limited (Singapore)	Investment holding	– **	– **	37
(3) EoPlex Limited (Hong Kong)	Development of advanced chip packaging and related technologies	85	85	85
Held by EoPlex Limited				
(4) EoPlex Inc (United States of America)	Development of advanced chip packaging and related technologies	100	100	100
Held by Telford Industries Pte Ltd				
(3) Telford Service Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100	100
(3) TQS Manufacturing Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100	100
Held by Dragon Group International Limited				
(1) Sooner Technology Pte Ltd (Singapore)	Trading in electronic components, computer peripherals and acting as commission agent	100	100	100
(3) Dragon Equipment & Materials Technology Ltd (Hong Kong)	Sale, distribution and acting as commission agent in equipment, materials and electronic components	100	100	100
(3) DTB Limited (Hong Kong)	Investment holding	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(a) The Group has the following significant investments in subsidiaries (Cont'd):

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding		
		2018	31 December 2017	1 January 2017
		%	%	%
Held by Dragon Group International Limited				
(4) EoCell Limited (Hong Kong)	Development of battery and storage solutions	100***	93	93
Held by EoCell Limited				
(4) EoCell Inc (United States of America)	Development of battery and storage solutions	100	93	93
Held by DTB Limited				
(3) Nanjing DTB Development Co., Ltd (People's Republic of China)	Construction of antique wooden sea boat, communication of culture, exhibition and conference etc.	60	60	60
(3) Dragon Ventures Limited (Hong Kong)	Investment holding	100	100	100
Held by Dragon Ventures Limited				
(4) Dragon Tourism Management Company Limited (People's Republic of China)	Develop and manage a mixed-used property	100	100	100
Held by Advanced Systems Automation Limited				
(1) Microfits Pte Ltd (Singapore)	Design and manufacture of automatic moulding machines and other back-ended assembly equipment for the semiconductor industry	– **	– **	100
(2) Microfits (Beijing) Technology Co., Ltd (People's Republic of China)	Manufacturing of precision tools, dies and mould	– **	– **	100
(3) Dragon Microfits Sdn. Bhd. (Malaysia)	Design of precision tools, dies and mould	– **	– **	100
(2) Emerald Precision Engineering Sdn. Bhd. (Malaysia)	Fabrication of tooling, dies and related moulding of spare parts and other related businesses	– **	– **	100
(3) ASA Multiplate (M) Sdn. Bhd. (Malaysia)	Provision of thermal coating, surface finishing of electronics products and specialised electroplating of semiconductor products services	– **	– **	90

* Refer to Note 7(c)(i).

** Refer to Note 7(c)(ii).

*** Refer to Note 7(d).

The above list excludes subsidiaries that are insignificant to the operations of the Group.

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by a member firm of Ernst & Young Global

(3) Audited by other audit firms

(4) Not required to be audited in country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

Subsidiaries that are audited by other audit firms: -

Company	Auditors
Telford Service Sdn. Bhd.	BDO, Malaysia
TQS Manufacturing Sdn. Bhd.	Cheng & Co., Malaysia
Telford Technologies (Shanghai) Pte Ltd	Shanghai Huzhong Certified Public Accountant Co., Ltd., People's Republic of China
Dragon Equipment & Materials Technology Ltd	Y. K Leung & Co., Hong Kong
DTB Limited	Y. K Leung & Co., Hong Kong
Dragon Ventures Limited	Y. K Leung & Co., Hong Kong
Nanjing DTB Development Co. Ltd	Jiangsu Verti-Hor Certified Public Accountant Co. Ltd
EoPlex Limited	Bright Brilliance CPA Limited, Hong Kong
Semiconductor Technologies & Instruments Pte Ltd	Pan-China Singapore PAC

(b) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group:

1. Dragon Group International Limited ("DGI") and its subsidiaries ("DGI Group")
2. Advanced Systems Automation Limited ("ASA") and its subsidiaries ("ASA Group") (for 1 January 2017)
3. EoPlex Limited and its subsidiaries ("EoPlex Group")

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI	Loss allocated to NCI during the reporting period S\$'000	Accumulated NCI at end of reporting period S\$'000
31 December 2018:				
DGI Group	Singapore	59%	4,215	(6,715)
EoPlex Group	Hong Kong	15%	389	(5,360)
31 December 2017:				
DGI Group	Singapore	59%	7,649	(3,008)
EoPlex Group	Hong Kong	15%	389	(4,857)
1 January 2017:				
DGI Group	Singapore	59%	5,506	5,154
ASA Group	Singapore	63%	1,806	(757)
EoPlex Group	Hong Kong	15%	1,088	(4,859)

There were no dividends paid to the above NCI during the years ended 31 December 2018 and 31 December 2017.

Significant restrictions

There were no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests except that these subsidiaries are required to seek the approval of the NCI should the Group need to deploy the assets from these subsidiaries to the Company or its other subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(b) Interest in subsidiaries with material non-controlling interests ("NCI") (Cont'd)

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries are as follows:

(b)(i) Summarised balance sheets

	DGI Group			EoPlex Group		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Current						
Assets	3,202	2,979	6,171	2,340	1,153	1,107
Liabilities	(19,708)	(11,118)	(3,947)	(37,344)	(33,412)	(32,679)
Net current (liabilities)/assets	(16,506)	(8,139)	2,224	(35,004)	(32,259)	(31,572)
Non-current						
Assets	7,164	5,230	7,135	–	–	–
Liabilities	(1)	(5)	–	(1,634)	(1,028)	(1,724)
Net current assets/(liabilities)	7,163	5,225	7,135	(1,634)	(1,028)	(1,724)
Net liabilities	(9,343)	(2,914)	9,359	(36,638)	(33,287)	(33,296)

(b)(ii) Summarised income statement

	DGI Group			EoPlex Group		
	2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
Revenue	2,995	2,675	4,945	42	42	62
Loss before income tax	(6,821)	(11,220)	(9,258)	(2,596)	(2,593)	(7,255)
Income tax expense	(81)	(76)	(66)	–	–	–
Loss for the year	(6,902)	(11,296)	(9,324)	(2,596)	(2,593)	(7,255)

(b)(iii) Summarised statement of other comprehensive income

	DGI Group			EoPlex Group		
	2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
Loss for the year	(6,902)	(11,296)	(9,324)	(2,596)	(2,593)	(7,255)
Other comprehensive income	403	(904)	505	(755)	2,601	(926)
Total comprehensive income for the year	(6,499)	(12,200)	(8,819)	(3,351)	8	(8,181)

(b)(iv) Other summarised information

	DGI Group			EoPlex Group		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Net cash flows (used in)/generated from operations	(4,780)	(3,540)	(6,882)	266	147	280
Acquisition of significant property, plant and equipment	(3)	(1,292)	(3,439)	–	–	(482)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries

(i) Disposal of STI Group in 2018

On 26 September 2018, the Company completed the disposal of the entire issued and paid-up share capital of its following wholly-owned subsidiaries:

- Semiconductor Technologies & Instruments Pte Ltd
- Semiconductor Technologies & Instruments Sdn Bhd
- Semiconductor Technologies & Instruments Phils., Inc.
- Semiconductor Technologies & Instruments (Taiwan), Inc.
- STI Tech Korea Co., Ltd

(Collectively known as the “STI Group”)

The values of assets and liabilities of STI Group recorded in the consolidated financial statements as at 26 September 2018, and the cash flow effect of the disposal were:

	S\$'000
<u>Carrying amounts of assets and liabilities disposed of:</u>	
Property, plant and equipment	746
Deferred tax assets	96
Trade and other receivables	27,886
Inventories	24,493
Cash and cash equivalents	17,310
Total assets	70,531
Trade and other payables	15,832
Other provisions	490
Loan and borrowings	19,909
Income tax payable	667
Total liabilities	36,898
<u>Gain on disposal</u>	
Cash consideration received from the disposal	72,000
Consideration receivable (Note 15)	9,000
Contingent consideration receivable (Note 15 and see details below)	9,000
Total consideration received and receivable	90,000
Less: Costs of disposal	
- Success fees paid to brokerage firm	(18,920)
- Professional fees paid to legal and consultancy firms	(2,900)
- Stamp duties	(17)
Total costs of disposal	(21,837)
Less: Net assets disposed of	(33,633)
Gain on disposal	34,530

The gain on disposal of subsidiaries of \$34,530,000 was included in “Profit from discontinued operations, net of tax” in the consolidated income statement.

Contingent consideration:

As part of the terms of the sale and purchase agreement with the buyer, a contingent consideration of S\$9,000,000 has been agreed. The Company undertakes that the audited profit before tax of the STI Group in 2018 and 2019 is not less than S\$17,000,000 (referred to as the “Profit Guarantee”).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries (Cont'd)

(i) Disposal of STI Group in 2018 (cont'd)

Contingent consideration (Cont'd)

The Company is required to pay a shortfall if the actual profits are less than the Profit Guarantee. The maximum shortfall will be S\$17,000,000 and accordingly, the maximum amount the Company potentially needs to pay back to the buyer for the purposes of the Profit Guarantee is S\$17,000,000.

As at the date of disposal and as of the year ended 31 December 2018, the Company has recognized the contingent consideration receivable of S\$9,000,000.

	S\$'000
<u>Reconciliation to consolidated cash flow statement:</u>	
Cash consideration received from the disposal	72,000
Cash and cash equivalents in subsidiaries disposed of	<u>(17,310)</u>
Net cash inflow on disposal	<u>54,690</u>

(ii) Loss of control in ASA Group with no dilution in equity interest in 2017

As at 31 December 2016, the Company held an equity interest of 37% in ASA Group. Management had considered the size of the Company's shareholding relative to the size and dispersion of shareholdings held by other shareholders and determined that it had the ability to direct the relevant activities of ASA Group notwithstanding its shareholdings were less than 50%. The Company remained the dominant shareholder based on historical voting records at ASA Group's general meetings and the Executive Chairman and Group Administrative Officer of the Company were also the Executive Chairman and Group Administrative Officer of ASA Group, both of whom, were responsible for the vision, strategic direction and operational management of ASA Group.

In June 2017, ASA Group undertook a partially underwritten rights issue of up to 13,186,771,715 new shares, at an issue price of S\$0.0009 for each new rights share ("ASA Rights Issue"). After the ASA Rights Issue, the Company continues to be the largest shareholder in ASA Group. However, Dato' Michael Loh Soon Gnee has become a substantial shareholder in ASA Group, holding 28.09% of ASA Group's shares.

With Dato' Michael Loh becoming a substantial shareholder in ASA Group, the Company has performed a reassessment of the Company's de facto control over ASA.

Although Dato' Michael Loh is also the Executive Chairman ("EC") and Chief Executive Officer ("CEO") of the Company, as an individual shareholder, he has the rights to vote independently from the Company during any ASA Group shareholders' meeting. Therefore, the basis to support that the Company has de facto control over ASA Group may no longer be appropriate. In view of the above, management assessed and is of the judgment that the Company is deemed to have lost control over ASA Group upon the completion of the ASA Rights Issue on 14 June 2017. As a result, ASA Group is no longer consolidated as a subsidiary of the Company after the ASA Rights Issue. Subsequent to the ASA Rights Issue, ASA Group is equity accounted for as an associate of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. SUBSIDIARIES (CONT'D)

(c) Disposal of subsidiaries (Cont'd)

(ii) Loss of control in ASA Group with no dilution in equity interest in 2017 (Cont'd)

	2017 S\$'000
<u>Carrying amounts of assets and liabilities disposed of:</u>	
Intangible assets	64
Property, plant and equipment	3,104
Deferred tax assets	81
Trade and other receivables	9,841
Inventories	4,857
Cash and cash equivalents	6,920
Total assets	24,867
Trade and other payables	17,142
Other provisions	38
Income tax payable	91
Total liabilities	17,271
Net assets disposed of	7,596
Non-controlling interests' share of net assets deconsolidated	(4,547)
Group's shares of net assets deconsolidated	3,049
<u>Gain on disposal:</u>	
Net assets derecognised	(3,049)
Fair value of retained interest	5,801
Cumulative exchange differences and capital reserves in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	193
Gain on disposal	2,945

The gain on disposal of subsidiaries of S\$2,945,000 was included in "other expenses" in the consolidated income statement.

(d) Acquisition of ownership interest in subsidiary, EoCell Ltd, without loss of control in 2018

On 28 December 2018, the Company acquired an additional 6.99% equity interest in EoCell Ltd by converting S\$8,186,000 of its loan to EoCell Ltd into shares of EoCell Ltd. As a result, the Company holds approximately 100% of EoCell Ltd. The transaction has been accounted for as an equity transaction. The carrying amounts of the non-controlling interest have been adjusted to reflect the change in their relative interest in EoCell Ltd.

The following summarises the effect of the change in the Group's ownership interest in EoCell Ltd on the equity attributable to owners of the Company.

	S\$'000
Decrease in equity attributable to non-controlling interest	254
Increase in equity attributable to owners of the Company	(254)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. ASSOCIATES

The Group's material investment in associate is summarised below:

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Advanced Systems Automation Limited (Note 7(c)(ii))	4,357	4,807	–	5,801	5,801	–
Market value of quoted shares at 31 December	5,801	5,801	–	5,801	5,801	–

On 4 December 2018, ASA Group issued 6,500,000,000 new shares in the capital of Advanced Systems Automation Limited to a Mr. Seah Chong Hoe to acquire the entire issued and paid-up share capital of (i) Yumei Technologies Sdn. Bhd. ("Yumei Tech"), (ii) Yumei REIT Sdn. Bhd. ("Yumei REIT") and (iii) Pioneer Venture Pte. Ltd. ("PVPL"). Following the share issuance, the Company's ownership interest in ASA was diluted by 11%, from 37% to 26%. The dilution in interest resulted in a gain of S\$1,636,000 being recognised in profit or loss.

The Group has the following significant investments:

Name of subsidiaries (Country of incorporation)	Principal activities	Effective shareholding		
		2018 %	31 December 2017 %	1 January 2017 %
Held by the Company				
(1) Advanced Systems Automation Limited (Singapore)	Investment holding	26	37	– *
Held by Advanced Systems Automation Limited				
(1) Microfits Pte Ltd (Singapore)	Design and manufacture of automatic moulding machines and other back-ended assembly equipment for the semiconductor industry	100	100	– *
(2) Microfits (Beijing) Technology Co., Ltd (People's Republic of China)	Manufacturing of precision tools, dies and mould	–	100	– *
(3) Dragon Microfits Sdn. Bhd. (Malaysia)	Design of precision tools, dies and mould	100	100	– *
(2) Emerald Precision Engineering Sdn. Bhd. (Malaysia)	Fabrication of tooling, dies and related moulding of spare parts and other related businesses	100	100	– *
(3) ASA Multiplate (M) Sdn. Bhd. (Malaysia)	Provision of thermal coating, surface finishing of electronics products and specialised electroplating of semiconductor products services	90	90	– *
(1) Pioneer Venture Pte Ltd (Singapore)	Contract manufacturing solutions of fabricated metal products	100	–	–
(3) Yumei Technologies Sdn. Bhd. (Malaysia)	Manufacturing of die-casting products	100	–	–
(3) Yumei REIT Sdn. Bhd. (Malaysia)	Property owner	100	–	–

* Refer to Note 7(c)(ii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. ASSOCIATES (CONT'D)

The above list excludes associates that are insignificant to the operations of the Group.

- (1) Audited by Ernst & Young LLP, Singapore
 (2) Audited by a member firm of Ernst & Young Global
 (3) Audited by other audit firms

Associates that are audited by other audit firms: -

Company	Auditors
Dragon Microfits Sdn. Bhd.	KCK Associates, Malaysia
ASA Multiplate (M) Sdn. Bhd.	CHI-LLTC, Malaysia
Yumei Technologies Sdn. Bhd.	Crowe, Melaka, Malaysia
Yumei REIT Sdn. Bhd.	Crowe, Melaka, Malaysia

The summarised financial information in respect of Advanced Systems Automation Limited, based on its SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	2018	2017
	S\$'000	S\$'000
Current assets	13,448	18,625
Non-current assets	11,174	2,131
Total assets	24,622	20,756
Current liabilities	16,665	15,911
Non-current liabilities	2,639	-
Total liabilities	19,304	15,911
Net assets	5,318	4,845
Proportion of the Group's ownership	26%	37%
Group's share of net assets	1,383	1,793
Goodwill on acquisition	3,014	3,014
Other adjustments	(40)	-
Carrying amount of the investment	4,357	4,807

Summarised statement of comprehensive income

	2018	2017
	S\$'000	S\$'000
Revenue	16,229	18,867
Loss after tax from continuing operations	(2,802)	(2,748)
Loss after tax from discontinued operations	(3,277)	(2,862)
Other comprehensive income	62	(121)
Total comprehensive income for the year	(6,017)	(5,731)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENT SECURITIES

Group	2018 S\$'000
<u>Fair value through profit or loss:</u>	
- Quoted equity shares in corporations, at fair value	-
- Unquoted equity shares in corporations, at fair value	-
	<u>-</u>

Group	31 December 2017 S\$'000	1 January 2017 S\$'000
<u>Fair value through profit or loss:</u>		
- Quoted equity shares in corporations, at fair value	-	22
- Unquoted equity shares in corporations, at cost	3,542	3,039
	<u>3,542</u>	<u>3,061</u>
Less: Allowance for impairment – unquoted equity	(3,518)	(3,039)
	<u>24</u>	<u>22</u>

Movement in allowance for impairment – unquoted equity

At 1 January	3,039	1,318
Charge for the year	-	1,610
Transfer from quoted to unquoted	710	-
Currency realignment	(231)	111
	<u>3,518</u>	<u>3,039</u>

10. INVENTORIES

Group	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<u>Balance sheet:</u>			
Raw materials	2,659	4,111	4,611
Work-in-progress	72	18,811	22,858
Goods-in-transit	19	700	100
Finished goods	1,518	5,731	5,098
	<u>4,268</u>	<u>29,353</u>	<u>32,667</u>
Allowance for stock obsolescence	(1,204)	(5,285)	(7,693)
	<u>3,064</u>	<u>24,068</u>	<u>24,974</u>
<u>Income statement:</u>			
Inventories recognised as an expense in cost of sales inclusive of the following charge	16,788	23,963	
- Allowance for obsolescence and slow-moving inventories	2,790	221	
- Reversal of allowance for obsolescence	(2,174)	(152)	

The reversal of allowance for obsolescence was made when the related inventories were sold above their carrying amount in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PREPAYMENTS AND ADVANCES

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Prepayment (Note (i))	670	941	1,958	26	92	138
Advances	111	171	601	–	–	–
	781	1,112	2,559	26	92	138
Disclosure in balance sheet						
Current	781	1,112	1,606	26	92	138
Non-current	–	–	953	–	–	–
	781	1,112	2,559	26	92	138

- (i) In 1 January 2017, prepayments included payments in advance amounting to S\$953,000 for the development project along the Yangtze Riverbank. Management was of the opinion this prepayment will not be utilised within the next twelve months from 31 December 2016 and had been classified as part of the non-current assets. In 2017, the Group made an impairment loss amounting to S\$1,155,000 (1 January 2017: S\$Nil) on this prepayment and other payments in advance made during the year that relate to the same development project, given that it is not likely to be recovered based on circumstances of the development project. The amount is recognised in “Other expenses, net” of the consolidated income statement for the year ended 31 December 2017.

12. AMOUNTS DUE FROM SUBSIDIARIES

Company	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Non-interest bearing	1,637	1,052	968
Interest bearing	8,303	7,132	10,247
	9,940	8,184	11,215

Amounts due from subsidiaries are stated after an allowance for expected credit losses of S\$60,011,000 (31 December 2017: S\$49,947,000; 1 January 2017: S\$49,568,000).

Expected credit losses

The movement in allowance for expected credit losses of amounts due from subsidiaries is as follows:

Company	2018 S\$'000
Movement in allowance accounts:	
At 1 January	49,947
Charge for the year	10,064
At 31 December	60,011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. AMOUNTS DUE FROM SUBSIDIARIES (CONT'D)

Allowance for impairment

The movement of the allowance accounts used to record impairment of amounts due from subsidiaries are as follows:

Company	31 December 2017 S\$'000	1 January 2017 S\$'000
Movement in allowance for uncollectible amounts		
At 1 January	49,568	43,359
Charge for the year	379	6,209
At 31 December	49,947	49,568

Non-interest bearing receivables are unsecured, repayable on demand and to be settled in cash.

Interest bearing receivables are non-trade in nature, unsecured, bear an interest ranging from 1.00% to 5.33% (31 December 2017: 1.00% to 4.13%; 1 January 2017: 1.00% to 4.32%) per annum, repriced on quarterly basis, are repayable on demand and to be settled in cash, except for S\$3,425,000 (31 December 2017: S\$3,777,000; 1 January 2017: S\$2,843,000) which subsequent to the year end, the Company has agreed with a subsidiary not to recall the amount for the next twelve months from the date the financial statements are authorised for issuance.

Amounts due from subsidiaries denominated in US dollars are S\$3,020,000 (31 December 2017: S\$4,072,000; 1 January 2017: S\$1,187,000).

13. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates are non-trade in nature, unsecured, and to be settled in cash. Subsequent to the year end, the Company has agreed not to recall the amounts due from associates for the next twelve months from the date the financial statements are authorised for issuance.

During the year ended 31 December 2018, there was a write back of allowance for uncollectible amounts of S\$23,000 (31 December 2017: an allowance of S\$4,824,000), recognised in "Administrative expense" of the consolidated income statement for the year ended 31 December 2018. The write back of allowance was made when the associate made payment for the receivable.

Group	31 December 2017 S\$'000	1 January 2017 S\$'000
Movement in allowance for uncollectible amounts		
Charge for the year	4,824	–
At 31 December	4,824	–

14. TRADE RECEIVABLES

Group	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Trade receivables – third parties	13,804	31,203	34,542

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. TRADE RECEIVABLES (CONT'D)

At the end of the reporting period, trade receivables arising from export sales amounting to \$Nil (31 December 2017: \$3,571,000; 1 January 2017: S\$825,000) are arranged to be settled via letters of credit issued by reputable banks in countries where customers are based.

Receivables that are past due but not impaired

The Group has trade receivables amounting to S\$12,626,000 as at 31 December 2017 and S\$14,118,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

Group	31 December 2017 S\$'000	1 January 2017 S\$'000
Trade receivables past due but not impaired:		
Less than 30 days	4,442	5,715
30 to 60 days	6,224	1,857
61 to 90 days	1,303	2,632
91 to 120 days	228	1,443
More than 120 days	429	2,471
	12,626	14,118

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment is as follows:

Group	31 December 2017 S\$'000	1 January 2017 S\$'000
Trade receivables - nominal amounts	2,834	3,047
Less: Allowance for impairment	(2,810)	(3,043)
	24	4
Movement in allowance accounts		
At 1 January	3,043	
Charge for the year	48	
Written off	(10)	
Disposal of subsidiaries	(20)	
Currency realignment	(251)	
At 31 December	2,810	

Trade receivables are individually determined to be impaired at the end of the reporting period based on the management's historical experience in the collection of debts from customers. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

Group	2018
Movement in allowance accounts	
At 1 January	2,810
Write back for the year	(54)
Disposal of subsidiaries	(68)
Currency realignment	49
At 31 December	2,737

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. TRADE RECEIVABLES (CONT'D)

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

Group	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
US Dollars	103	16,647	18,821
Philippines peso	1,530	2,930	715
Others	274	313	522

15. OTHER RECEIVABLES

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Tax recoverable	283	61	166	87	–	–
Consideration receivable from disposal of STI Group (Note 7c(i)) ⁽¹⁾	18,000	–	–	18,000	–	–
Deposits	347	1,325	1,729	–	–	–
Sundry debtors	3,950	4,282	5,018	–	–	–
	22,580	5,668	6,913	18,087	–	–
Allowance for other receivables	(3,355)	(2,829)	(2,797)	–	–	–
	19,225	2,839	4,116	18,087	–	–
Disclosure in balance sheet						
Current	14,720	2,839	3,687	13,587	–	–
Non-current	4,505	–	429	4,500	–	–
	19,225	2,839	4,116	18,087	–	–
Movement in allowance accounts						
At 1 January	2,829	2,797		–	–	
Charge for the year	444	92		–	–	
Disposal of subsidiaries	–	(65)		–	–	
Currency realignment	82	5		–	–	
At 31 December	3,355	2,829		–	–	

⁽¹⁾ Included in the consideration receivable from STI Group is restricted cash of S\$9,000,000. The cash is held in an escrow account and is restricted from use until certain conditions are met as described in Note 7(c)(i).

Receivables that are impaired

At the end of the reporting period, the Group had provided an allowance for expected credit loss/impairment of S\$444,000 (31 December 2017: S\$92,000). These impairment losses are recognised in the “Administrative expenses” line item of the consolidated income statement for the financial year ended 31 December 2018.

Included in the allowance for expected credit loss is an amount of S\$422,000. In 2017, the Company placed a cash deposit of S\$200,000 with the vendor, Coeur Gold Armenia Ltd (“Coeur”), as part of consideration for acquisition of Coeur. In 2018, the Company made payments of S\$222,000 on behalf of Coeur for Coeur’s mining license and other fees and taxes. These amounts were recorded as “Other receivables”, are refundable and will be used to offset against the consideration for the acquisition upon the completion of the acquisition. As of 31 December 2018, there is uncertainty as to whether Coeur will be able to repay these amounts considering its financial resources and significant uncertainties as to whether the acquisition will be completed with the pending order to delist the Company’s subsidiary, DGI. Management had made the judgment to make an allowance for these amounts. The allowance is recorded in the “Administrative expenses” line item in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. OTHER RECEIVABLES (CONT'D)

Other receivables denominated in foreign currencies as at 31 December are as follows:

Group	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
US Dollars	94	–	–
Philippines peso	269	731	783
Thailand baht	96	93	156

16. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Cash on hand and at bank	22,988	25,308	37,084	10,595	1,485	1,402
Short-term deposits	273	4,308	2,090	–	–	–
	23,261	29,616	39,174	10,595	1,485	1,402

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Short-term deposits of the Group with financial institutions are made for varying periods within 1 month (31 December 2017: 1 month; 1 January 2017: 6 months) from the financial year end. The effective interest rates as at 31 December 2018 for the Group were ranging from 0.06% to 0.07% (31 December 2017: 0.06% to 0.11%; 1 January 2017: 0.60% to 0.88%) per annum.

Cash and cash equivalents denominated in foreign currencies as at 31 December are as follows:

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
US Dollars	2,610	13,464	9,047	170	1,136	695
Philippines peso	1,338	555	797	–	–	–
Others	1,898	1,447	846	–	–	–

17. PROVISIONS

Group	Restructuring provision			Warranties		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
At 1 January	–	–	–	409	526	467
Charge for the year	331	–	–	81	198	321
Utilised	(243)	–	–	–	(277)	(262)
Exchange differences	(2)	–	–	–	–	–
Disposal of subsidiaries	–	–	–	(490)	(38)	–
At 31 December	86	–	–	–	409	526

Warranties

The Group provides warranty on certain products under which faulty products are repaired or replaced. The provision is based on the sales volume and past experience with the levels of repairs and returns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. PROVISIONS (CONT'D)

Restructuring provision

During 2018, the Group committed to a plan to restructure its operations in Nanjing DTB due to significant uncertainty over the Dragon Treasure Boat project. Following management's decision of the plan, the Group recognised a provision of S\$331,000 for expected staff restructuring costs. These costs were fully provided for in the current reporting period. The remaining provision of S\$86,000 is expected to be fully utilised over the next 12 months.

18. LOANS AND BORROWINGS

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Current liabilities:						
Lease creditors (Note 23)	656	506	583	–	–	–
Unsecured loan	2,804	25,161	23,309	–	5,000	5,000
Non-current liabilities:						
Lease creditors (Note 23)	1,846	1,325	191	–	–	–
Unsecured loan	–	2,061	3,426	–	–	–
	5,306	29,053	27,509	–	5,000	5,000

Unsecured loan

- In 2017, an unsecured floating rate revolving bank loan, amounting to S\$5,000,000, of the Company is jointly and severally guaranteed by two subsidiaries of the Company. The loan carried interest ranging from 3.42% to 3.75% per annum which is also the effective interest rate. This loan is fully repaid in 2018.
- In 2017, an unsecured floating rate revolving bank loan, amounting to \$373,000 of a subsidiary was jointly and severally guaranteed by two subsidiaries of the Company. The loan carried interest ranging from 2.97% to 3.09% per annum which was also the effective interest rate. This loan is fully repaid in 2018.
- An unsecured floating rate term bank loan, amounting to S\$1,244,000 (31 December 2017: S\$1,949,000) of a subsidiary is jointly and severally guaranteed by two subsidiaries of the Company. The interest rate is repriced on a quarterly basis. This loan is repayable in January 2019.
- Unsecured floating rate bank borrowings of the subsidiaries bear effective interest rates of 6.25% (2017: 2.32% to 7.25%) per annum. These bank borrowings comprise S\$1,560,000 (31 December 2017: S\$19,900,000) which are repayable ranging from 90 days to 180 days.

The aggregate balance of bank borrowings that are denominated in US dollars is S\$1,244,000 (31 December 2017: S\$16,302,000; 1 January 2017: S\$16,431,000).

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

	2017 S\$'000	Cash flow S\$'000	-----Non-cash changes-----			2018 S\$'000
			Reclassified as part of disposal S\$'000	Foreign exchange movement S\$'000	New leases S\$'000	
Lease creditors	1,831	(661)	–	32	1,300	2,502
Loans and borrowings	27,222	(4,473)	(19,909)	(36)	–	2,804
	29,053	(5,134)	(19,909)	(4)	1,300	5,306

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. LOANS AND BORROWINGS (CONT'D)

	1 January 2017 S\$'000	Cash flow S\$'000	-----Non-cash changes-----			2017 S\$'000
			Reclassified as part of disposal S\$'000	Foreign exchange movement S\$'000	New leases S\$'000	
Lease creditors	774	(605)	–	(85)	1,747	1,831
Loans and borrowings	26,735	955	–	(468)	–	27,222
	27,509	350	–	(553)	1,747	29,053

19. TRADE PAYABLES AND ACCRUALS

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Current:						
Trade payables – third parties	10,020	13,434	17,814	1,077	151	212
Accruals ⁽¹⁾	15,285	13,859	12,166	9,356	1,664	1,074
Other payables (Note 20)	10,130	8,757	6,530	234	234	279
Amounts due to subsidiaries	–	–	–	7,146	315	1,767
Amounts due to associates	–	535	–	–	–	–
Non-current:						
Long term payables	2,161	1,028	1,112	–	–	–
Amounts due to subsidiaries	–	–	–	–	44,718	34,901
	37,596	37,613	37,622	17,813	47,082	38,233
Add:						
- Lease creditors (Note 23)	2,502	1,831	774	–	–	–
- Loans and borrowings (Note 18)	2,804	27,222	26,735	–	5,000	5,000
Total financial liabilities carried at amortised cost	42,902	66,666	65,131	17,813	52,082	43,233

Trade payable and accruals are non-interest bearing.

Trade payables are normally settled on 60-days terms, while accruals and other payables have an average term of six months.

Trade payables and accruals denominated in foreign currencies as at 31 December are as follows:

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
US Dollars	4,566	3,109	2,057	6	10	7
Philippines peso	1,868	2,698	1,574	–	–	–
Sterling pound	272	272	272	–	–	–
Thailand baht	378	368	476	–	–	–
Others	719	670	417	–	–	–

(1) Included in "Accruals" is an amount due to key executive officers of S\$1,000,000 relating to the disposal of STI which will be payable if the key executive officers meet certain service conditions and profit targets in FY2018 and FY2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. OTHER PAYABLES

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Proposed Directors' fees	234	234	211	234	234	211
Proposed Directors' fees of subsidiaries	217	290	310	–	–	–
Payable arising from purchase of property, plant and equipment	5,591	4,921	1,828	–	–	–
Advances received from customers (Note (i))	423	728	829	–	–	–
Advances from third parties (Note (iv))	1,025	–	–	–	–	–
Foreign exchange future contracts (Note (ii))	–	–	68	–	–	68
Advances for capital injection from non-controlling interest	2,528	2,422	2,046	–	–	–
Other borrowings (Note (iii))	–	–	1,081	–	–	–
Others	112	162	157	–	–	–
	10,130	8,757	6,530	234	234	279

- (i) The advances received from customers relate to the deposits received for sales orders.
- (ii) In 2016, the Group and the Company were committed to sell US dollars with notional amounts totalling S\$5,500,000, under the terms of outstanding foreign exchange forward contracts. As at 1 January 2017, the forward contracts mature at various dates till 30 June 2017.
- (iii) In 2016, a subsidiary entered into loans with individuals and a company amounting to S\$681,000, of which the outstanding amount as at 31 December 2016 amounted to S\$390,000. The outstanding loans were interest bearing, unsecured, repayable within one to three months and were to be settled in cash, except for a balance of S\$123,000 which was non-interest bearing and had no fixed terms of repayment. The interest-bearing loans bore interest ranging from 3.7% to 5.6% per month.
- In 2016, the same subsidiary also entered into loans with one of its director amounting to S\$226,000, of which the outstanding amount as at 31 December 2016 amounted to S\$185,000. The outstanding loans as at 31 December 2016 were interest free, unsecured, with no fixed terms of repayment and to be settled in cash except for an amount of S\$107,000 which bore interest ranging from 4.5% to 5.3% per month. The total interest paid to the director of the subsidiary in year 2016 amounted to S\$8,000.
- (iv) During the year ended 31 December 2018, the Group received advances of S\$1,025,000 from a third party for funding of research and development costs in a subsidiary of the Group.

Other payables denominated in foreign currencies as at 31 December are as follows:

	Group			Company		
	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
US Dollars	380	1,139	2,304	–	–	68
Philippines peso	675	801	593	–	–	–

21. AMOUNTS DUE TO SUBSIDIARIES

Amounts due to subsidiaries are non-trade in nature, unsecured, bear an interest ranging from 0.5% to 4.67% (31 December 2017: 0.5% to 3.96%; 1 January 2017: 0.5% to 5.06%) per annum, to be settled in cash and are repayable on demand except for an amount of S\$Nil (31 December 2017: S\$44,718,000; 1 January 2017: S\$34,901,000) which is to be settled after twelve months from balance sheet date.

Amounts due to subsidiaries that are denominated in US dollars are S\$7,149,000 (31 December 2017: S\$345,000; 1 January 2017: S\$17,817,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. AMOUNTS DUE TO ASSOCIATES

Amounts due to associates are non-trade in nature, unsecured, to be settled in cash and are repayable on demand.

23. LEASE CREDITORS

Group	Minimum lease payments			Net present value of lease payments (Note 18)		
	2018 S\$'000	31 December 2017	1 January 2017	2018 S\$'000	31 December 2017	1 January 2017
		S\$'000	S\$'000		S\$'000	S\$'000
Future payments payable for finance leases						
Within one year	780	617	590	656	506	583
Within two to five years	2,009	1,461	231	1,846	1,311	191
After five years	–	14	–	–	14	–
	2,789	2,092	821	2,502	1,831	774
Finance charges allocated to future periods	(287)	(261)	(47)	–	–	–
	2,502	1,831	774	2,502	1,831	774
Current portion				656	506	583
Non-current portion				1,846	1,325	191
				2,502	1,831	774

Finance leases bear an effective interest rates ranging from 3.82% to 11.43% (31 December 2017: 5.32% to 11.43%; 1 January 2017: 0.86% to 14.0%) per annum.

The interest rates for the lease creditors are fixed upon entering into the lease agreements and are therefore not subjected to fluctuations in market interest rates.

All assets acquired under finance leases are secured by leased assets. The net book values of assets acquired under finance leases are disclosed in Note 5.

Finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

Lease creditors denominated in foreign currencies as at 31 December are as follows:

Group	2018 S\$'000	31 December 2017	1 January 2017
		S\$'000	S\$'000
US Dollars	2	189	456
Philippines peso	2,133	1,507	78
Sterling pound	267	–	–
Malaysia ringgit	1	5	18

24. LONG TERM PAYABLES

Long term payables are non-trade in nature, bear an interest of 8% (31 December 2017: 8%; 1 January 2017: 8%) per annum, to be settled in cash and are not expected to be repaid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. INCOME TAX EXPENSE

Group	2018 S\$'000	2017 S\$'000
Income tax payable in respect of results for the year:		
Current income tax		
(i) Singapore	38	58
(ii) Others	(1,562)	(1,374)
Deferred income tax	(38)	(13)
	<u>(1,562)</u>	<u>(1,329)</u>
Over/(under) provision in respect of prior years:		
Current income tax	68	72
Deferred income tax	64	(12)
	<u>132</u>	<u>60</u>
Withholding tax on payments to non-residents	–	–
Income tax attributable to continuing operations	<u>(1,430)</u>	<u>(1,269)</u>
Income tax attributable to discontinued operations	<u>(713)</u>	<u>(118)</u>
Income tax expense recognised in profit or loss	<u>(2,143)</u>	<u>(1,387)</u>

A reconciliation between tax expense and the product of accounting losses multiplied by the applicable corporate tax rate for the year ended 31 December 2018 and 2017 is as follows:

Group	2018 S\$'000	2017 S\$'000
Profit/(loss) before tax from continuing operations	(21,491)	(19,595)
Profit before tax from discontinued operations	43,366	6,379
Profit/(loss) before tax	<u>21,875</u>	<u>(13,216)</u>
Tax calculated at a tax rate of 17% (2017: 17%)	(3,719)	2,247
Differential tax rate of overseas subsidiaries	(188)	62
Non-deductible expenses	(15,473)	(4,751)
Income not subject to tax	17,499	664
Tax incentives/exemption ⁽¹⁾	918	1,231
Deferred tax assets not recognised	(1,614)	(1,416)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	302	544
Withholding tax on payments to non-residents	–	(8)
Overprovision in respect of prior years	132	40
Income tax expense	<u>(2,143)</u>	<u>(1,387)</u>

⁽¹⁾ Incentives granted by relevant tax authorities to incentivise investments on machineries and automation, and to encourage research and development activities.

Deferred tax liabilities/assets

Group	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Deferred tax liabilities arise as a result of:			
- Differences in depreciation	92	154	143
- Others	16	11	–
	<u>108</u>	<u>165</u>	<u>143</u>
Deferred tax assets arise as a result of:			
- Differences in depreciation	–	–	58
- Others	–	103	123
	<u>–</u>	<u>103</u>	<u>181</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. INCOME TAX EXPENSE (CONT'D)

Certain subsidiaries have estimated unutilised tax losses and unabsorbed capital allowances amounting to approximately S\$75,596,000 (2017: S\$69,174,000) and S\$3,524,000 (2017: S\$3,524,000) available for set off against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate. The tax losses have no expiry date.

According to the Applicable Enterprise Income Tax ("EIT") laws and regulations, income such as rental, royalty and profits from the PRC derived by a foreign enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable EIT Laws and regulations.

Pursuant to a tax treaty between the PRC and the Republic of Singapore, which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or 10% if it holds less than 25% interests in the PRC company.

At the end of the reporting period, no withholding tax (2017: S\$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries of S\$30,139,000 (2017: S\$29,322,000) as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Furthermore, certain other subsidiaries of the Group (primarily in Malaysia) had undistributed earnings of S\$5,293,000 (2017: S\$6,507,000). The Group has not recorded withholding taxes on these undistributed earnings as the tax jurisdictions in which the earnings arose do not charge withholding taxes on the repatriation of these earnings.

26. REVENUE

(a) Disaggregation of revenue

Group	Backend equipment solutions & technologies		Distribution & services		Total revenue	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Primary geographical markets						
China	19,698	20,833	2,717	2,475	22,415	23,308
Singapore	1,229	2,422	143	81	1,372	2,503
Malaysia	2,673	5,325	133	112	2,806	5,437
Philippines	30,711	26,962	–	–	30,711	26,962
United States	12	975	–	–	12	975
United Kingdom	3,122	3,337	–	–	3,122	3,337
Others	2,960	4,172	2	7	2,962	4,179
	60,405	64,026	2,995	2,675	63,400	66,701
Timing of transfer of goods or services						
At a point in time	60,405	64,026	2,995	2,675	63,400	66,701
	60,405	64,026	2,995	2,675	63,400	66,701

NOTES TO THE FINANCIAL STATEMENTS

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27. OTHER INCOME

Group	2018 S\$'000	2017 S\$'000
Gain on deemed disposal of associates	1,636	–
Rental income	448	466
Unrealized exchange gains, net	287	–
Provision of other services/commission income	126	243
Government incentives and grant income	27	63
Disposal of assets	–	66
Others	164	128
	2,688	966

28. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax from continuing operations.

Group	2018 S\$'000	2017 S\$'000
Impairment losses on club memberships (Note 4)	–	(8)
Impairment loss on property, plant and equipment (Note 5)	–	(3,635)
Impairment losses on long term prepayment (Note 11)	–	(1,155)
Impairment losses on investment securities (Note 9)	(22)	–
Property, plant and equipment written off	(7)	(43)
Gain on disposal of property, plant and equipment	14	139
Allowance on amounts due from associates	–	(4,824)
Net fair value gain on derivative financial instruments	–	68
Unrealized exchange loss, net	–	(2,577)
Depreciation of property, plant and equipment	(6,341)	(4,727)
Depreciation of investment properties	(17)	(17)
Allowance for obsolete and slow-moving inventories	(616)	(69)
Write back of allowance on trade receivables	–	21
Allowance on other receivables	(444)	(92)
Restructuring expenses	(331)	–
Staff costs		
- salaries, wages, bonuses and others	(43,732)	(28,891)
- defined contribution plans	(693)	(1,381)

29. FINANCE COSTS, NET

Group	2018 S\$'000	2017 S\$'000
Interest income		
- short-term deposits/current accounts	79	48
- amounts owing from other debtors	27	27
- amounts owing from associates	199	76
Interest expense		
- finance leases	(167)	(52)
- bank loans and trade financing	(392)	(427)
- other borrowings	–	(167)
Bank charges	(175)	(169)
	(429)	(664)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. DISCONTINUED OPERATIONS

As of 31 December 2018, the results of STI Group are presented separately on the consolidated income statement as “Profit from discontinued operations, net of tax”. The discontinued operations disclosure below includes results of STI Group and its comparatives of which the sale was completed 26 September 2018. The effects of sale relating to the group are in Note 7(c).

Income statement disclosure

The results of STI Group for the years ended 31 December are as follows:

Group	Group	
	2018	2017
	\$'000	\$'000
Revenue	55,115	57,205
Expenses	(45,548)	(50,241)
Profit from operations	9,567	6,964
Finance costs, net	(731)	(585)
Gain on disposal less costs to sell	34,530	–
Profit before taxation from discontinued operation	43,366	6,379
Income tax expense	(713)	(118)
Profit from discontinued operation, net of tax	42,653	6,261

Cash flow statement disclosures

The cash flows attributable to STI Group are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Operating	41,203	(7,643)
Investing	(38,316)	(210)
Financing	1,601	3,635
Net cash inflows/(outflows)	4,488	(4,218)

Earnings per share disclosures

	Group	
	2018	2017
Earnings per share from discontinued operations attributable to owners of the Company (cents per share)		
Basic	6.51	0.96
Diluted	6.51	0.96

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

NOTES TO THE FINANCIAL STATEMENTS

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31. EARNINGS PER SHARE

Continuing operations

Basic and diluted earnings per share from continuing operations are calculated by dividing (loss)/profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended 31 December:

Group	2018 S\$'000	2017 S\$'000
Profit/(loss) for the year attributable to owners of the Company	24,336	(4,397)
Less: Profit from discontinued operations, net of tax, attributable to owners of the Company	<u>(42,653)</u>	<u>(6,261)</u>
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share from continuing operations	<u>(18,317)</u>	<u>(10,658)</u>
 Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share computation (no. of shares, in '000s)	 <u>654,731</u>	 <u>654,731</u>

The diluted earnings per share is the same as the basic earnings per share as there were no outstanding convertible securities for both the financial years ended 31 December 2018 and 31 December 2017.

32. SHARE CAPITAL

Group and Company	2018 Number of shares	2017 Number of shares	2018 S\$'000	2017 S\$'000
Issued and fully paid ordinary shares				
Balance at beginning and at end	<u>681,966,341</u>	<u>681,966,341</u>	<u>132,617</u>	<u>132,617</u>

The holders of ordinary shares (except treasury shares as disclosed in Note 33) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

33. TREASURY SHARES

Group and Company	2018 Number of shares	2017 Number of shares	2018 S\$'000	2017 S\$'000
Balance at beginning and at end	<u>(27,234,855)</u>	<u>(27,234,855)</u>	<u>(4,772)</u>	<u>(4,772)</u>

Treasury shares relate to the ordinary shares of the Company that are held by the Company. Losses or gains on disposal or reissue of treasury shares are reflected as equity in the balance sheet.

34. FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CAPITAL RESERVES

	Group		Company	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
(a) <u>Loss arising from sale or reissue of treasury shares</u>				
Balance at 1 January and 31 December	(3,746)	(3,746)	(2,960)	(2,960)
(b) <u>Premium paid on acquisition of non-controlling interest or additional interest in subsidiary</u>				
Balance at 1 January and 31 December	(1,131)	(1,131)	–	–
(c) <u>Discount on disposal to non-controlling interests</u>				
Balance at 1 January and 31 December	(2,894)	(2,894)	–	–
(d) <u>(Loss)/gain on dilution in interest in subsidiary</u>				
Balance at 1 January	(165)	(165)	–	–
Increase in interest in a subsidiary without change in control	(254)	–	–	–
Balance at 31 December	(419)	(165)	–	–
(e) <u>Realisation of reserves on disposal of subsidiaries</u>				
Balance at 1 January	(155)	–	–	–
Disposal of subsidiaries	–	(155)	–	–
Balance at 31 December	(155)	(155)	–	–
Total balance at 31 December	(8,345)	(8,091)	(2,960)	(2,960)

No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

Gain or loss arising from sale or reissue of treasury shares

This represents the gain or loss arising from the purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of these reserves.

36. FAIR VALUE RESERVE

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

37. SEGMENT INFORMATION

The Group positioned its operations into two strategic business segments comprising Back-end Equipment Solutions and Technologies ("BEST") and Distribution and Services. BEST is mainly engaged in provision of solutions and technologies in the back-end (i.e. assembly, test and finishing) arena of the semiconductor industry. The Distribution and Services segment is engaged mainly in the provision of semiconductor application in consumer electronics, computer peripheral and communication solution.

Segment accounting policies are described in Note 3.26.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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37. SEGMENT INFORMATION (CONT'D)

Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets, investments and intangible assets.

	BEST		Distribution and Services		Discontinued operation		Adjustment and elimination		Note	Consolidation	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000		2018 S\$'000	2017 S\$'000
Revenue											
Segmental revenue	60,405	64,026	2,995	2,675	55,115	57,205	(55,115)	(57,205)	A	63,400	66,701
- External sales	764	1,609	-	-	-	-	(764)	(1,609)	B	-	-
- Inter-segment sales	61,169	65,635	2,995	2,675	55,115	57,205	(55,879)	(58,814)		63,400	66,701
	(15,255)	(7,959)	(6,902)	(11,296)	42,653	6,261	(43,417)	(7,870)		(22,921)	(20,864)
Segment results											
EBITDA (Note C)	(7,877)	(1,771)	(5,794)	(6,086)	44,237	7,398	(45,001)	(9,007)	A	(14,435)	(9,466)
Interest income	559	161	28	42	1	1	(283)	(53)		305	151
Interest expense	(559)	(660)	(282)	(38)	(597)	(451)	879	503		(559)	(646)
Depreciation on property, plant and equipment and investment properties	(6,029)	(4,431)	(329)	(313)	(275)	(569)	275	569		(6,358)	(4,744)
Impairment loss on other receivables	-	(65)	(444)	(27)	-	-	-	-		(444)	(92)
Impairment loss on property, plant and equipment	-	-	-	(3,635)	-	-	-	-		-	(3,635)
Impairment loss on club membership	-	-	-	(8)	-	-	-	-		-	(8)
Impairment loss on long term prepayment	-	-	-	(1,155)	-	-	-	-		-	(1,155)
Loss before tax	(13,906)	(6,766)	(6,821)	(11,220)	43,366	6,379	(44,130)	(7,988)	A	(21,491)	(19,595)
Income tax expense	(1,349)	(1,193)	(81)	(76)	(713)	(118)	713	118		(1,430)	(1,269)
Profit/(loss) for the year	(15,255)	(7,959)	(6,902)	(11,296)	42,653	6,261	(43,417)	(7,870)	A	(22,921)	(20,864)
Other information:											
Share of results of associates	(2,109)	(1,042)	-	(7)	-	-	-	-		(2,109)	(1,049)
Foreign currency exchange gain/(loss)	636	(2,931)	(349)	423	208	(405)	(208)	405	A	287	(2,508)
Additions to non-current assets (Note D)	13,514	10,062	2,152	3,412	317	210	-	-		15,983	13,684
Segments assets	101,796	61,794	10,367	8,209	-	53,450	(11,229)	(4,577)		100,934	118,876
Segment liabilities	35,447	29,591	19,709	11,123	-	32,123	(11,229)	(4,577)		43,927	68,260

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37. SEGMENT INFORMATION (CONT'D)

1 January 2017	BEST \$'000	Distribution and Services \$'000	Discontinued operation \$'000	Adjustment and elimination \$'000	Consolidation \$'000
Segment assets	61,177	13,306	56,376	(1,689)	129,170
Segment liabilities	36,790	3,948	27,853	(1,689)	66,902

Notes

- A The amounts relating to discontinued operation have been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income with one line item, "profit from discontinued operation, net of tax".
- B Inter-segment transactions are eliminated on consolidation.
- C EBITDA: Earnings before interest expense, interest income, tax, depreciation, amortization and impairment losses.
- D Additions to non-current assets consist of additions to intangible assets and property, plant and equipment.

Geographical information

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

	Revenue		Non-current assets		
	2018 S\$'000	2017 S\$'000	2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
China	22,415	23,308	3,096	314	3,519
Singapore	1,372	2,503	335	953	1,109
Malaysia	2,806	5,437	614	791	1,892
Philippines	30,711	26,962	21,263	16,927	12,654
United States	12	975	7,023	5,069	3,534
United Kingdom	3,122	3,337	1,401	734	572
Others	2,962	4,179	293	302	322
	63,400	66,701	34,025	25,090	23,602

Non-current assets information presented above consist of property, plant and equipment, intangible assets (excluding goodwill) and investment properties as presented in the consolidated balance sheet.

Information about major customers

Revenue from 3 major customers amounted to S\$46,571,000 (2017: S\$14,537,000), arising from sales by the BEST segment.

Revenue from one major customer amounted to S\$664,000 (2017: S\$623,000), arising from sales by the Distribution and Services segment.

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38. OPERATING LEASE COMMITMENTS

Operating lease – as lessee

The Group leases premises, machinery and equipment under non-cancellable lease arrangements. Future minimum rentals under non-cancellable leases as of 31 December are as follows:

Group	2018	31	1
	S\$'000	December 2017	January 2017
Within one year	1,095	2,719	2,677
Within two to five years	1,475	6,494	3,883
Over five years	–	–	–
	2,570	9,213	6,560

Rental expense (principally for premises, machinery and equipment) was S\$2,392,000, S\$3,318,000 and S\$4,236,000 for the years ended 31 December 2018, 31 December 2017 and 1 January 2017 respectively.

Lease terms do not provide for contingent rents and do not contain restrictions on Group activities concerning dividends, additional debt or entering into other leasing agreement. Certain leases include renewal options for additional lease periods ranging from 1 to 3 years (31 December 2017: 1 to 3 years; 1 January 2017: 1 to 3 years) or an unspecified number of years, and at rental rates based on negotiations or prevailing market rates. The Group is restricted from subleasing the leased equipment to third parties.

Operating lease – as lessor

The Group leases out certain premises under non-cancellable lease arrangements. Future minimum rentals under non-cancellable leases as of 31 December are as follows:

Group	2018	31	1
	S\$'000	December 2017	January 2017
Within one year	7	373	481
Within two to five years	–	83	332
Over five years	–	–	–
	7	456	813

Rental income relating to the above leasing arrangements was S\$431,000, S\$459,000 and S\$326,000 for the years ended 31 December 2018, 31 December 2017 and 1 January 2017 respectively.

Certain operating leases above include escalation clauses. The operating leases do not provide for contingent rents and do not contain renewal options or options to purchase for the lessee.

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39. COMMITMENTS

(a) Financial support

The Company has agreed to provide financial support to a subsidiary to meet its liabilities as and when they fall due and to not recall loan due from it for twelve months from the date of issuance of the financial statements.

The Company has also agreed to not recall loan due from an associate for twelve months from the date of issuance of the financial statements.

(b) Guarantees

The Company has given corporate guarantees of S\$1,177,000 (31 December 2017: S\$19,826,000; 1 January 2017: S\$16,495,000) to financial institutions in connection with banking facilities granted to its subsidiaries.

40. AUDIT AND NON-AUDIT FEES

Group	2018 S\$'000	2017 S\$'000
Audit fees paid to auditors of the Company	315	315
Audit fees paid to other auditors	153	126
Non-audit fees paid to auditors of the Company	60	50
Non-audit fees paid to other auditors	6	12

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions are entered with related parties and the effects of these transactions on the basis determined between the parties are reflected in these financial statements.

Group	2018 S\$'000	2017 S\$'000
<u>Directors:</u>		
Proposed directors' fees of the Company	234	234
Proposed directors' fees of listed subsidiaries	213	178
Directors' remuneration ⁽¹⁾	10,063	2,064
Defined contribution plans	15	15
<u>Other key executive officers:</u>		
Short-term employee benefits ⁽²⁾	7,598	3,484
Defined contribution plans	122	155
<u>Related party:</u>		
Purchases of goods	424	417
Corporate cost recovery	–	300
Interest income	200	76
<u>Transactions with directors or key executive officers:</u>		
Fee paid to director of a subsidiary for consultancy services	202	–

Related party refers to the company in which the Company's Chairman and Chief Executive Officer holds a key executive position and has 5% equity interest, as well as associates.

⁽¹⁾ Included in the directors' remuneration is a payment of bonus of S\$8,000,000 to a director. In view of said director's decision to relinquish his position in the Company, the Remuneration Committee, on 31 March 2019, deliberated on the bonus that was approved and paid out to the director in 2018 and revised the figure to S\$2,182,000. The said director has since returned the difference of S\$5,818,000.

⁽²⁾ Included in the other key executive officers' balances are amounts totalling S\$5,000,000 of which 80% has been paid and balance of 20% will be payable upon certain conditions being met.

NOTES TO THE FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other debtors and amounts due from subsidiary companies. For other financial assets (including available-for-sale financial assets and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 360 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Actual or expected significant changes in the operating results of the counterparty
- Significant increases in credit risk on other financial instruments of the counterparty
- Significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

The Group categorizes a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 5 years past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (Cont'd)

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows. The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

Singapore:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	111	128	–	2	241
Loss allowance provision	–	–	–	–	–

China:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	4,793	1,709	42	2,725	9,269
Loss allowance provision	–	–	–	2,725	2,725

Philippines:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	4,887	352	65	180	5,484
Loss allowance provision	–	–	–	12	12

Other geographical areas:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	677	683	53	134	1,547
Loss allowance provision	–	–	–	–	–

Information regarding loss allowance of trade receivables is disclosed in Note 14.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (Cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtors at the date of statement of financial position is as follows:

Group	2018		2017	
	\$'000	% of total	\$'000	% of total
China	6,544	47	15,063	48
Singapore	241	2	1,934	6
Malaysia	687	5	1,539	5
Philippines	5,472	40	7,684	25
Europe	850	6	1,065	3
Korea	–	–	3,854	12
Other	10	–	64	1
	13,804	100	31,203	100

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- corporate guarantees provided by the Company to financial institutions on credit facilities extended to the subsidiaries (Note 39).

Credit risk concentration profile

The Group analyses the credit risk concentration profile separately for the Distribution and Service and BEST segments.

Distribution and Services Segment

The Group determines concentrations of credit risk for the Distribution and Services Segment by monitoring the country profile of its trade receivables on an on-going basis. There was no significant concentration of credit risk in the Distribution and Services segment except that significant trade receivables are customers engaging businesses in the semiconductor and electronics industries in Greater China.

BEST Segment

There was no significant concentration of credit risk in the BEST segment except that significant trade receivables are customers engaging businesses in the semiconductor and electronics industries. In addition, the Group monitors its concentrations of credit risk for the BEST Segment by specific customers' profile, based on their market position and relative financial stability. As at 31 December 2018, approximately 72% (31 December 2017: 47%; 1 January 2017: 34%) of the trade receivables is due from the top five customers of the BEST Segment. These are multi-national corporations who are key market players and leaders in the semiconductor industry and with strong financial standing.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and cash equivalents and derivatives with positive fair value that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (Cont'd)

Financial assets that are either past due or impaired

Information regarding trade receivables and other receivables that are either past due or impaired is disclosed in Note 14 and Note 15 respectively.

(ii) Liquidity risk

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

The Group's financing activities are managed centrally with the objective of maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures availability of bank credit lines to address any short-term funding requirement.

Except for loans and borrowings, lease creditors and long term payables, the Group's and the Company's financial liabilities at the end of the reporting period are repayable/mature within one year. The repayment terms of long term payables, lease creditors and the loans and borrowings are disclosed in Note 24, Note 23 and Note 18 respectively.

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

Group	Less than 1 year	1 to 5 years	Over 5 years	Total
2018	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets:				
Cash and cash equivalents	23,261	–	–	23,261
Trade receivables	13,804	–	–	13,804
Other receivables	14,437	4,505	–	18,942
Amount due from associates	2,417	–	–	2,417
Total undiscounted financial assets	53,919	4,505	–	58,424
Financial liabilities:				
Trade payables and accruals	25,305	–	–	25,305
Other payables	10,130	–	–	10,130
Lease creditors	780	2,009	–	2,789
Long term payables	–	1,111	1,134	2,245
Loans and borrowings	2,940	–	–	2,940
Total undiscounted financial liabilities	39,155	3,120	1,134	43,409
Total net undiscounted financial assets/(liabilities)	14,764	1,385	(1,134)	15,015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity risk (Cont'd)

Group	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
31 December 2017				
Financial assets:				
Cash and cash equivalents	29,616	–	–	29,616
Trade receivables	31,203	–	–	31,203
Other receivables	2,778	–	–	2,778
Amount due from associates	14	–	–	14
Total undiscounted financial assets	63,611	–	–	63,611
Financial liabilities:				
Trade payables and accruals	27,293	–	–	27,293
Other payables	5,607	–	–	5,607
Amount due to associates	535	–	–	535
Lease creditors	617	1,461	14	2,092
Long term payables	–	–	1,110	1,110
Loans and borrowings	25,365	2,202	–	27,567
Total undiscounted financial liabilities	59,417	3,663	1,124	64,204
Total net undiscounted financial assets/(liabilities)	4,194	(3,663)	(1,124)	(593)

Group	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
1 January 2017				
Financial assets:				
Cash and cash equivalents	39,174	–	–	39,174
Trade receivables	34,542	–	–	34,542
Other receivables	3,521	–	–	3,521
Total undiscounted financial assets	77,237	–	–	77,237
Financial liabilities:				
Trade payables and accruals	29,980	–	–	29,980
Other payables	3,627	–	–	3,627
Lease creditors	590	231	–	821
Long term payables	–	–	1,201	1,201
Loans and borrowings	23,554	3,680	–	27,234
Total undiscounted financial liabilities	57,751	3,911	1,201	62,863
Total net undiscounted financial assets/(liabilities)	19,486	(3,911)	(1,201)	14,374

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity risk (Cont'd)

Company	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
2018				
Financial assets:				
Cash and cash equivalents	10,595	–	–	10,595
Other receivables	13,500	4,500	–	18,000
Amount due from subsidiaries	10,222	–	–	10,222
Amount due from associates	2,469	–	–	2,469
Total undiscounted financial assets	36,786	4,500	–	41,286
Financial liabilities:				
Trade payables and accruals	10,433	–	–	10,433
Other payables	234	–	–	234
Amount due to subsidiaries	7,388	–	–	7,388
Total undiscounted financial liabilities	18,055	–	–	18,055
Total net undiscounted financial assets	18,731	4,500	–	23,231
31 December 2017				
Financial assets:				
Cash and cash equivalents	1,402	–	–	1,402
Amount due from subsidiaries	8,378	–	–	8,378
Total undiscounted financial assets	9,780	–	–	9,780
Financial liabilities:				
Trade payables and accruals	1,815	–	–	1,815
Other payables	234	–	–	234
Amount due to subsidiaries	315	44,793	–	45,108
Loans and borrowings	5,041	–	–	5,041
Total undiscounted financial liabilities	7,405	44,793	–	52,198
Total net undiscounted financial assets/(liabilities)	2,375	(44,793)	–	(42,418)
1 January 2017				
Financial assets:				
Cash and cash equivalents	1,402	–	–	1,402
Amount due from subsidiaries	8,613	2,954	–	11,567
Total undiscounted financial assets	10,015	2,954	–	12,969
Financial liabilities:				
Trade payables and accruals	1,286	–	–	1,286
Other payables	211	–	–	211
Amount due to subsidiaries	1,793	35,474	–	37,267
Loans and borrowings	5,037	–	–	5,037
Total undiscounted financial liabilities	8,327	35,474	–	43,801
Total net undiscounted financial assets/(liabilities)	1,688	(32,520)	–	(30,832)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity risk (Cont'd)

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

Company	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
2018				
Financial guarantees	564	613	–	1,177
2017				
Financial guarantees	17,995	1,831	–	19,826

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties. The Company's loans at floating rate given to related parties form a natural hedge for its floating rate bank loan. All of the Group's and the Company's financial liabilities at floating rates are contractually repriced at intervals of less than 3 months (2017: less than 3 months) from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been S\$19,000 lower/higher (2017: S\$170,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(iv) Foreign currency risk

Certain subsidiaries of the Group have transactional currency exposures arising from sales that are denominated in currencies other than their respective functional currencies. The foreign currency in which these transactions are mostly denominated is US dollars ("USD"). Approximately 21% (2017: 58%) of the Group's sales is denominated in currencies other than its operating entities' respective functional currencies.

The Group's trade receivables at the end of the reporting period have similar exposures.

The Group and the Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to S\$5,846,000 and S\$170,000 (2017: S\$15,466,000 and S\$1,136,000) for the Group and the Company respectively.

The Group uses forward currency contracts to mitigate the currency exposures to the USD.

Sensitivity analysis for foreign currency risk

The Group has significant foreign currency risk exposure to fluctuation in the USD against SGD. At the end of the reporting period, if USD had strengthened or weakened by 5% (2017: 5%) against SGD with all other variables held constant, the Group's loss before tax would have been S\$966,000 lower/higher (2017: S\$1,284,000 lower/higher).

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange and are classified as available-for-sale financial assets.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the share price of the quoted investments had been 6% (2017: 6%) higher/lower with all other variables held constant, there would have been no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Note	Group		Company	
		2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Financial assets measured at amortised cost					
Amounts due from subsidiaries	12	–	–	9,940	8,184
Amounts due from associates	13	2,417	14	2,389	–
Trade receivables	14	13,804	31,203	–	–
Other receivables ⁽¹⁾	15	18,942	2,778	18,000	–
Cash and cash equivalents	16	23,261	29,616	10,595	1,485
		58,424	63,611	40,924	9,669
Available-for-sale financial assets					
Investment securities	9	–	24	–	–
Financial liabilities measured at amortised cost					
Trade payables and accruals	19	25,305	27,293	10,433	1,815
Other payables ⁽²⁾	20	7,179	5,607	234	234
Lease creditors	23	2,502	1,831	–	–
Long term payables	24	2,161	1,028	–	–
Loans and borrowings	18	2,804	27,222	–	5,000
Amounts due to subsidiaries	21	–	–	7,146	45,033
Amounts due to associates	22	–	535	–	–
		39,951	63,516	17,813	52,082

⁽¹⁾ excludes tax recoverable⁽²⁾ excludes advances from customers and capital injection from non-controlling interest

(b) Fair value of assets and liabilities

(i) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There has been no transfer between Level 1 and Level 2 and no transfers into or out of Level 3 during the financial years ended 2018 and 2017.

(ii) Assets and liabilities measured at fair value

Investment securities are measured at fair value in 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

43. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of assets and liabilities (Cont'd)

(iii) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Valuation policies and procedures

The Group's Finance Controller who is assisted by the team (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in valuations.

(iv) Assets and liabilities not carried at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the end of reporting period but for which fair value is disclosed:

Group 2018	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Fair value S\$'000	Carrying amount S\$'000
Assets				
Investment properties	796	–	796	303
Liabilities				
Lease creditors				
- Obligations under finance leases	–	2,495	2,495	2,502

Group 2017	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Fair value S\$'000	Carrying amount S\$'000
Assets				
Investment properties	828	–	828	338
Liabilities				
Lease creditors				
- Obligations under finance leases	–	1,864	1,864	1,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

43. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of assets and liabilities (Cont'd)

(iv) Assets and liabilities not carried at fair value, for which fair value is disclosed (Cont'd)

Determination of fair value

The fair values of lease obligations under finance leases as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending borrowing or leasing arrangements at the end of the reporting period.

Management has determined that the carrying amounts of loans and borrowings based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

Company	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1) S\$'000	Significant observable inputs (Level 2) S\$'000	Total S\$'000	Carrying amount S\$'000
2018				
Assets				
Subsidiaries:				
- Quoted shares	5,703	–	5,703	–
Associates:				
- Quoted shares	5,801	–	5,801	5,801
2017				
Assets				
Subsidiaries:				
- Quoted shares	4,848	–	4,848	1,995
Associates:				
- Quoted shares	5,801	–	5,801	5,801

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44. CAPITAL MANAGEMENT

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

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

Group	2018 S\$'000	2017 S\$'000
Loans and borrowings (Note 18)	2,804	27,222
Trade payables and accruals (Note 19)	25,305	27,293
Other payables (Note 20)	10,130	8,757
Long term payables	2,161	1,028
Less: Cash and short-term deposits	(23,261)	(29,616)
Net debt	<u>17,139</u>	<u>34,684</u>
Equity attributable to owners of the Company	69,163	58,569
Less: Fair value reserve	–	(2)
Total capital	<u>69,163</u>	<u>58,567</u>
Capital and net debt	<u>86,302</u>	<u>93,251</u>
Gearing ratio	<u>20%</u>	<u>37%</u>

45. DIVIDENDS

Group and Company	2018 S\$'000	2017 S\$'000
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Declared and paid during the financial year:

Dividends on ordinary shares:

- Interim exempt (one-tier) dividend for 2018 : 2 cents (2017: Nil) per share	<u>13,095</u>	–
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Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:

Group and Company	2018 S\$'000	2017 S\$'000
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Dividends on ordinary shares, subject to shareholders' approval at the AGM:

- Final exempt (one-tier) dividend for 2018 : 0.5 cent (2017: Nil) per share	<u>3,274</u>	–
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

46. CONTINGENCIES

Legal claims

On 27 April 2018, a sale representative commenced an action against the Group in respect of the commission payable claimed to be at higher rate. The estimate payout is S\$650,000 should the action be successful. The Group has appointed a legal counsel to file a defence against the claim. A trial date has not yet been set. The legal counsel has opined that it is difficult to provide an evaluation of the probability of a favourable or unfavourable outcome or an estimate of the amount or range of potential loss as it is still in preliminary stage and no provision for any liability has been made in this financial statement.

47. COMPARATIVES

The STI Group has been disclosed as discontinued operations. Prior year comparatives have been re-presented on the financial statements.

48. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) On 4 January 2019, DGI announced that its 93%-held subsidiary, Eocell Ltd, entered into a new share subscription agreement with Zhuhai Yinlong Energy Co., Ltd (“Yinlong”) on terms further described below (the “New YLE Subscription Agreement”) (the “New Transaction”).

The New Transaction comprises:

- (a) the subscription by YLE of about 999,999,930 EoCell Shares representing approximately 40% of the Enlarged EoCell Share Capital, for an aggregate consideration of US\$20 million in accordance with the New YLE Subscription Agreement (the “YLE Subscription Shares”); and
- (b) the subscription by a management company to be incorporated (referred hereto as “MC”), of about 499,999,895 EoCell Shares representing approximately up to 20% of the Enlarged EoCell Share Capital pursuant to a subscription agreement to be entered into between MC and EoCell (the “MC Subscription Agreement”).

Upon completion, the Group’s interest in EoCell would be diluted from 99.99% to 40% and EoCell will cease to be a subsidiary of the Company.

The MC was incorporated on 22 January 2019.

The transaction was completed as of 20 May 2019, and as of the date, the Company owns 40% of the EoCell Enlarged Share Capital. Following the completion, EoCell, which belongs to the Distribution and Services segment, has ceased to be a subsidiary of the Company.

- (ii) On 7 February 2019, an ex-employee of a DGI subsidiary and his joint venture vehicle has written in to DGI to quantify their claims for the purpose of seeking a settlement for negotiations over certain disputes. The employee, who was terminated in 2018, is claiming S\$5,126,000 relating to employment and shareholder disputes which arose in 2018. Both parties are in the midst of negotiations, and therefore it is not practicable at this time to state the expected timing of settlement, if any.

On 18 June 2019, the ex-employee had filed a claim with California Labor Commissioner’s Office for the amount of S\$1,025,000 for his commission and bonus for the years 2017 and 2018.

The Group is of the view that the ex-employee’s claim is without merit and unsubstantiated, and has assessed that it is possible, but not probable, that the claim will succeed.

- (iii) Subsequent to the reporting period, the Remuneration Committee (“RC”) revised a bonus amount that was previously approved and paid to a Director of the Company in 2018. The amount initially approved and paid to the Director was S\$8,000,000 as of 31 December 2018. The RC revised the bonus on 31 March 2019 to S\$2,182,000. The Director returned the difference of S\$5,818,000 to the Group in April 2019. The Group has treated the amount of S\$5,818,000 as a non-adjusting event occurring after the reporting period.

- (iv) On 7 April 2019, the Group announced that Dato’ Michael Loh Soon Gnee has decided to resign as Chief Executive Officer and/or Executive Chairman and will be transitioning his duties within the next 12 months. The Board is currently identifying and reviewing internal and external candidates in its search for Dato’ Loh’s successor. Dato’ Loh will continue to work closely with the Board in achieving a smooth transition and further announcements as to Dato’ Loh’s last day of service will be made when appropriate.

APPENDIX 3

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2018

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 15 July 2018

Number of Equity Securities	:	654,731,486
Class of Equity Securities	:	Ordinary shares (excludes treasury shares)
Voting Rights	:	One vote per share (excludes treasury shares)
Number of Treasury Shares	:	27,234,855

The percentage of treasury shares against equity securities is 4.16%.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	15	0.36	435	0.00
100 - 1000	512	12.18	471,856	0.07
1,001 - 10,000	1,521	36.18	8,319,469	1.27
10,001 - 1,000,000	2,111	50.21	191,194,128	29.20
1,000,001 and above	45	1.07	454,745,598	69.46
Total	4,204	100.00	654,731,486	100.00

TWENTY LARGEST SHAREHOLDERS

S/No	Name	No. of Shares	%
1.	LOH SOON GNEE	130,209,600	19.89
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	64,771,400	9.89
3.	SOH POCK KHENG	57,859,000	8.84
4.	DBS NOMINEES (PRIVATE) LIMITED	37,685,413	5.76
5.	NG YEW NAM	32,775,500	5.01
6.	RAFFLES NOMINEES (PTE.) LIMITED	17,888,100	2.73
7.	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,705,100	1.48
8.	UOB KAY HIAN PRIVATE LIMITED	8,247,400	1.26
9.	TAN NGOK PENG	8,140,900	1.24
10.	OCBC SECURITIES PRIVATE LIMITED	7,177,800	1.10
11.	LIM & TAN SECURITIES PTE LTD	6,002,300	0.92
12.	EL'FRED BOO HIAN YONG	5,512,300	0.84
13.	KOH CHIN HWA	5,187,600	0.79
14.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,172,000	0.79
15.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,791,340	0.73
16.	PHILLIP SECURITIES PTE LTD	3,765,180	0.58
17.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,279,994	0.50
18.	CHIN KIAM HSUNG	2,900,000	0.44
19.	LEYAU LAY CHOO	2,700,000	0.41
20.	TAN CHIN HOCK	2,650,000	0.40
	Total	416,420,927	63.60

SUBSTANTIAL SHAREHOLDERS (As recorded in the Register of Substantial Shareholders)

	Direct Interest	%*	Deemed Interest	%*	Total %*
Loh Soon Gnee	130,209,600	19.89	-	-	19.89
Soh Pock Kheng ¹	57,859,000	8.84	28,596,000	4.37	13.21
Heah Theare Haw ²	-	-	41,484,000	6.34	6.34
Ng Yew Nam	32,775,500	5.01	-	-	5.01

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC ('PUBLIC FLOAT')[#] IS 55.55% OF ISSUED SHARE CAPITAL OF THE COMPANY

¹ Deemed interested in 28,596,000 shares held by nominees.

² Deemed interested in 41,484,000 shares held by nominees.

* The above percentage is calculated based on the issued share capital of 654,731,486 shares (excluding treasury shares), rounded up.

[#] The Public Float meets the requirements of Rule 723 of the SGX-ST Listing Manual, which requires at least 10% of the shares of the Company to be held by the public.

APPENDIX 4

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

ASTI HOLDINGS LIMITED

(Company Registration No. 199901514C)

(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ASTI Holdings Limited (the “**Company**”) will be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Thursday, 15 August 2019 at 1.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final ordinary tax exempt one-tier dividend of 0.5 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 of the Company’s Constitution.

Mr. Mohd. Sopiyan B. Mohd. Rashdi	(Retiring under Regulation 107)	(Resolution 3)
Dr. Daniel Yeoh Ghee Chong	(Retiring under Regulation 107)	(Resolution 4)

See Explanatory Note (i)
4. To re-elect the following Directors of the Company retiring pursuant to Regulation 103 of the Company’s Constitution:

Dato’ Michael Loh Soon Gnee	(Retiring under Regulation 103)	(Resolution 5)
Dr. Kriengsak Chareonwongsak	(Retiring under Regulation 103)	(Resolution 6)

See Explanatory Note (ii)
5. To approve the payment of Directors’ fees of S\$233,836 for the year ended 31 December 2018 (2017: S\$234,000). **(Resolution 7)**
6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. AUTHORITY TO ISSUE SHARES

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

See Explanatory Note (iii)

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

See Explanatory Note (iv)

(Resolution 9)

By Order of the Board

Dayne Ho Chung Wei
Secretary
Singapore, 31 July 2019

Explanatory Notes:

- (i) Mr. Mohd. Sopiyan B. Mohd. Rashdi will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee, and will be considered independent.

Dr. Daniel Yeoh Ghee Chong will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committee, and will be considered independent.

- (ii) Dato' Michael Loh Soon Gnee will, upon re-election as a Director of the Company, be considered non-independent. Dato' Michael Loh Soon Gnee is an Executive Director and a controlling shareholder of the Company.

Dr. Kriengsak Chareonwongsak will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees and will be considered independent.

- (iii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
3. If the member is a corporation, the instrument appointing a proxy or proxies must be under its common seal or the hand of its attorney or a duly authorised officer.
4. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36) of Singapore (“CPF Act”), in respect of shares purchased under the subsidiary legislation made under that CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. The instrument appointing a proxy or proxies must be deposited at **Block 25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416** not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

APPENDIX 5

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2018

PROXY FORM

ASTI HOLDINGS LIMITED
(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Block 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Thursday, 15 August 2019 at 1.30 p.m. and at any adjournment thereof. I/We direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Statement & Audited Financial Statements for the year ended 31 Dec 2018		
2	Payment of proposed final ordinary tax exempt one-tier dividend		
3	Re-election of Mr. Mohd. Sopiyan B. Mohd. Rashdi as a Director of the Company		
4	Re-election of Dr. Daniel Yeoh Ghee Chong as a Director of the Company		
5	Re-election of Dato' Michael Loh Soon Gnee as a Director of the Company		
6	Re-election of Dr. Kriengsak Chareonwongsak as a Director of the Company		
7	Approval of Directors' fees amounting to S\$233,836		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
9	Authority to issue shares		

Note: Voting will be conducted by poll.

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

*Delete where inapplicable

Important: Please read notes overleaf



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
4. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at **Block 25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416**, not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which this proxy form shall be treated as invalid.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By attending the Meeting and/or any adjournment thereof or 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 31 July 2019.

General:

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



Blk 25, Kallang Avenue,
#06-01, Kallang Basin Industrial Estate,
Singapore 339416
Tel : (65) 6392 6922
Fax : (65) 6392 5522
Website : www.astigp.com
(Co. Reg. No. 199901514C)