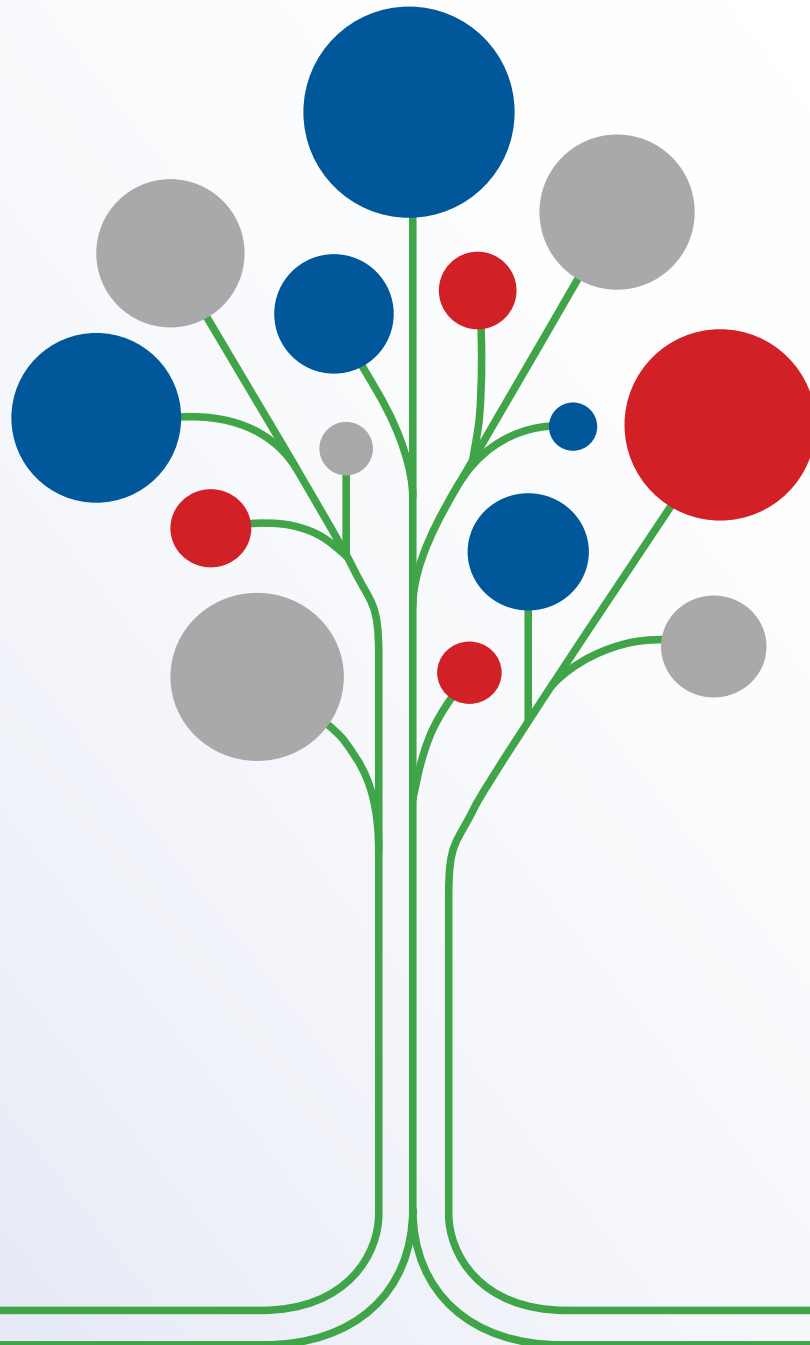


# ANNUAL REPORT 2017



ASTI HOLDINGS LIMITED

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# ABOUT ASTI

Listed on the mainboard of the Singapore Exchange, ASTI Holdings Limited is a company uniquely positioned to serve the needs of the semiconductor industry. Under the umbrella of the ASTI Group of companies, we provide an integrated range of services comprising Backend Equipment Solutions & Technologies (“BEST”) and Services. A leader in the manufacture of semiconductor equipment, we research, design, develop and manufacture semiconductor equipment for customers. Further enhancing our manufacturing capabilities are our equipment contract manufacturing services, which manufacture precision parts, modules and standalone equipment assembly. Ranked amongst the world’s leading semiconductor manufacturing services providers, we strive to continually deliver world-class services to our customers to help them optimise their resource utilisation. We also design and develop advanced packaging solutions for semiconductors, targeting the mobility and 3C convergent markets.

Globally, ASTI has 3 research and development centres, 10 factories and 24 sales offices. Our operations are located in Southeast Asia, Greater China, Korea, the United States of America and the United Kingdom. We have a library of more than 100 patents in vision systems, semiconductor assembly technologies and electromechanical systems.

Through our extensive geographical network, we are able to provide distribution services across many countries in Asia. In aggregate, the ASTI Group of companies has the ability to offer a suite of integrated and synergistic solutions to our customers.

ASTI also has 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](http://www.astigp.com)



## Geographic Reach

The ASTI Group of companies has extensive global footprints. Currently we have 3 research and development centres, 10 factories and 24 sales offices located in Southeast Asia, Greater China, Korea, the United States of America and the United Kingdom.

# LETTER TO SHAREHOLDERS AND OPERATIONS REVIEW



***Following our alignment efforts over the last few years, ASTI has progressed through the strategic inflection point and is set on a positive path.***

Dear Shareholders,

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 reported continuing growth pushing through the inflexion point. Among the three generic businesses, namely STI, Telford and EoPlex, STI remained profitable and both Telford and EoPlex moved forward with positive steps.

On 2 April 2018, ASTI announced that the Company had entered into a conditional sale and purchase agreement with Shanghai Pudong Science and Technology Investment Co., Ltd, in relation to the proposed disposal by the Company of 100% of the entire issued and paid-up capital of its wholly-owned subsidiary, STI.





ASA Group's revenue increased in 2017 but performed poorly due to macro-economic and customer-centric challenges. On 8 February 2018, our DGI Group received shareholders' approval to complete an investment of US\$20 million from EoCell Zhuhai Yinlong Energy Co. into its EoCell subsidiary. Simultaneously, DGI continued its pursuits to exit the financial watch-list and evaluate various propositions that may benefit the Group.

## OPERATIONS REVIEW

### INCOME STATEMENT

#### Revenue

The Group reported a 12.7% or \$18.0 million decrease in revenue from \$141.9 million (FY2016) to \$123.9 million (FY2017).

BEST business recorded a 11.5% or \$15.7 million decrease in revenue from \$136.9 million (FY2016) to \$121.2 million (FY2017), mainly due to the deconsolidation of ASA Group. The revenue from Distribution & Service business decreased 45.9% or \$2.3 million from \$4.9 million (FY2016) to \$2.7 million (FY2017) due to decrease in sales from the distribution business.

#### Gross Profit Margin

Gross profit margin in FY2017 was 35.6%. This was an increase of 3.3% compared to the 32.3% reported in FY2016.

#### Operating Expenses

M&D, R&D and G&A expenses of \$46.7 million incurred in FY2017 were \$3.6 million lower compared to the expenses reported in FY2016. M&D costs in FY2017 were \$1.7 million lower compared to FY2016, mainly due to the deconsolidation of ASA Group. R&D costs in

FY2017 also decreased \$0.8 million compared to FY2016. G&A costs decreased \$1.1 million in FY2017 when compared to FY2016. The decrease in G&A costs due to the deconsolidation of ASA Group was partially offset by the higher professional and consultancy fees; and costs accrued relating to the Dragon Treasure Boat in FY2017.

Finance costs were \$62,000 lower in FY2017 compared to FY2016, due to the deconsolidation of ASA Group.

Depreciation charges of PPE decreased \$0.5 million in FY2017 compared to FY2016, mainly due to the deconsolidation of ASA Group.

#### Net Profit/Loss

The Group reported a net loss to shareholders of \$4.4 million in FY2017, compared to the net profit of \$1.0 million in FY2016, mainly due to the other expenses incurred.

### BALANCE SHEET

As at 31 December 2017, total assets stood at \$118.9 million comprising \$30.0 million from non-current assets and \$88.9 million from current assets. Total liabilities stood at \$68.3 million comprising current liabilities of \$63.7 million and non-current liabilities of \$4.6 million. Shareholders' equity including non-controlling interests stood at \$50.6 million.

The following are highlights of the Group's balance sheet as at 31 December 2017.

#### Intangible assets

The increase in intangible assets was mainly due to the development expenditure incurred by the battery storage solutions.

# LETTER TO SHAREHOLDERS AND OPERATIONS REVIEW

## **Property, plant and equipment**

The decrease in property, plant and equipment ("PPE") was mainly due to the deconsolidation of ASA Group. Also, the purchases of machineries for the increase in manufacturing services activities were partially offset by the depreciation charges during the year.

## **Prepayments and other receivables (non-current)**

The decrease in prepayments was due to impairment made on some receivables and the reclassification of some non-current receivables to current receivables.

## **Inventories**

Inventories decreased \$0.9 million from \$25.0 million (FY2016) to \$24.1 million (FY2017), mainly due to deconsolidation of ASA Group.

## **Prepayments and other receivables (current)**

The amount for prepayments and other receivables decreased \$1.3 million from \$5.3 million (FY2016) to \$4.0 million (FY2017) due to deconsolidation of ASA Group, utilisation of the prepayment amounts and receipts from other debtors.

## **Trade receivables**

Trade receivables' balance decreased \$3.3 million due to lower sales in 4Q2017 compared to 4Q2016, due to deconsolidation of ASA Group.

## **Loans and borrowings**

Loans and borrowings increased \$0.5 million from \$26.7 million (FY2016) to \$27.2 million (FY2017), due to additional drawdowns to fund working capital requirements during the year.

## **Payables and accruals**

Payables and accruals remained comparable in FY2016 and FY2017. This was mainly due to the costs accrued relating to the Dragon Treasure Boat being offset by the decrease in amount due to the deconsolidation of ASA Group.

## **CASHFLOW STATEMENT**

The Group generated \$2.5 million from its operational working capital. An amount of \$2.1 million was used for the net payments of interests and taxes. An amount of \$7.1 million, net of proceeds from disposals, was used for the purchase of property, plant and equipment. The Group also utilised \$2.1 million for expenditure on research and development projects. The Group borrowed \$4.7 million but repaid \$4.9 million to



financial institutions and external lenders during the year. A net proceed of \$7.5 million was received from a subsidiary's rights issue exercise. An advance of \$0.4 million was received for capital injection from non-controlling interest. Loans amounting to \$0.7 million were provided to the associates. An amount of \$6.9 million was divested upon the deconsolidation of ASA Group.

## OUTLOOK

Following our alignment efforts over the last few years, ASTI has progressed through the strategic inflection point and is set on a positive path. We expect STI's performance to improve, while Telford and EoPlex are likely to continue and ride on their respective growth curves. Upon completion of the Proposed Disposal of STI, ASTI will have a substantially increased cash position with a very robust balance sheet.

While ASA Group has some more work to do, deconsolidation will lower the noise at ASTI generic businesses. As for the DGI Group, we will continue to work very hard on various proposals that may enable us to exit the Watch-list. Barring unforeseen circumstances and if everything progresses as planned, we hope to deliver a better set of performance to our stakeholders in FY2018.

## IN APPRECIATION

In closing, 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. 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 in front of us.

Yours Sincerely,

## DATO' MICHAEL LOH

Executive Chairman and Chief Executive Officer



# BOARD OF DIRECTORS



**Dato' Michael Loh Soon Gnee, 62**  
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, 53**  
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 Fong Wai Leong, 48**  
Lead Independent Director  
Audit Committee Chairman

*Chartered Accountant, Member of Malaysian Institute of Certified Public Accountants*

Mr Fong is currently the CEO of PanPages Berhad and is responsible for PanPages Berhad's day-to-day operation. He has more than 23 years of corporate and finance experience which includes managing a listed company in Southeast Asia, advising on a number of successful public listings as well as mergers and acquisitions in various countries, including Malaysia, China, South Africa and parts of South America. Prior to joining PanPages Berhad, he was a partner in Devonshire Capital Group and the General Manager of Kuala Lumpur City Securities Sdn. Bhd., where he headed the firm's Corporate Finance Division. He also worked at CIMB Corporate Finance Division and KPMG.

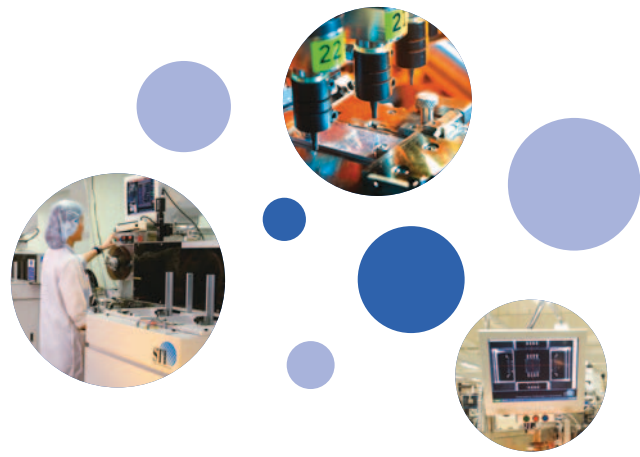
**Current Listed Companies' Directorships**

- ASTI Holdings Limited
- PanPages Berhad

**Past 3 Years Listed Companies' Directorships**

- None





**Professor Dr Kriengsak Chareonwongsak, 63**

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. Politically and 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 organizations.

**Current Listed Companies' Directorships**

- ASTI Holdings Limited

**Past 3 Years Listed Companies' Directorships**

- None



**Mr Mandie Chong Man Sui, 61**

Non-Executive and Non-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



**Dr Kenneth Yu Keung Yum, 70**

Independent Director  
Remuneration Committee Chairman

*PhD Electrical Engineering and Applied Physics, Stanford University*

Dr Yu brings with him over 35 years of experience from the areas of technology, product design and management. He had spent 16 years with Lattice Semiconductor Corp during which he started and managed a subsidiary company in Shanghai, China. An expert in all facets of semiconductor equipment and technologies, Dr Yu has done memory and ASIC designs and is familiar with applications ranging from PLDs, processors, telephony ICs to CCD imagers. He is the co-author of 25 technical articles and owner of 8 patents. Dr Yu's present interest is developing the technology to operate a generalised IoT network seamlessly, and to apply Big Data Analytic to sensor data collected by IoT networks. Dr Yu is also a director of Sky1 Technology Limited.

**Current Listed Companies' Directorships**

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

**Past 3 Years Listed Companies' Directorships**

- None

# KEY MANAGEMENT

**Mr Anthony Loh**  
*Financial Controller*

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 Financial Controller 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.

**Ms Junny Foong**  
*Vice President, Admin/HR/IT*

Ms Foong graduated from National University of Singapore with a Bachelor Degree in Mechanical & Production Engineering. She started her career with Texas Instruments Singapore in 1987 before joining the Group in 1997. Ms Foong holds several key responsibilities within the ASTI Group of companies, including Administrations, Human Resource and Information Technologies.

**Mr Lau Hoo Shoon**  
*President, STI*

Mr Lau joined the Group in 1997 and has more than 30 years of experience in managing Semiconductor Equipment operations. Prior to joining the Group, he worked in the Process Automation Centre of Texas Instruments Singapore. Mr Lau holds a Bachelor Degree in Mechanical & Production Engineering from the National University of Singapore.

**Mr Vincent Lew**  
*Senior Vice President, STI*

Mr Lew started his career with Texas Instruments Singapore before joining the group in 1997. He has been involved in the semiconductor equipment design and manufacturing business ever since. During that span, he has been appointed to key positions in project management, engineering and operations. He holds a Bachelor of Engineering with First-Class Honours from the University of Strathclyde, UK.

**Mr Han Chin Fong**  
*Vice President, STI*

Mr Han joined the Group in 1994 and has close to 30 years of experience in the automation and semiconductor industry. He was instrumental in the start-up of the Group's Semiconductor Equipment business and saw it grow from modest beginnings to become a global player today. He holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

**Mr Ajhar Amanullah**  
*Vice President, STI*

Mr Ajhar joined the group in 2000 and has close to 20 years of experience in Computer Vision and semiconductor inspection equipment development. Ajhar was formerly a Research Engineer at the Singapore Institute of Manufacturing Technology. Ajhar holds a Master Degree in Electrical Engineering from National University of Singapore.

**Mr Teng Choon Hwee**  
*Vice President, STI*

Mr Teng started his career with Texas Instruments Singapore and subsequently with a few semiconductor equipment companies before joining the group in 1999. He has been involved in semiconductor equipment business for more than 20 years. He holds a Bachelor of Engineering from Loughborough University, UK.

**Mr 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 3800 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.



**Mr 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.

**Mr 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.

**Mr Michael Pak**

Chief Executive Officer, EoCell Inc./EoCell Ltd.

Mr. Pak joined EoCell in 2015 and brings with him 19 years of experience in the Lithium-ion battery and Catalyst related industry where he gained extensive knowledge and experience in engineering, product management and sales. Mr Pak holds a Bachelor of Science in Engineering Science, Harvard University.

**Mr Roslan Bin Affandi**

Vice President, Operations of EoPlex Group

Mr Roslan joined the Group in 2012 and is responsible for the Engineering and Manufacturing operations in EoPlex. 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.

**Mr 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 position 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.

**Mr 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 conceptualized 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.

**Mr Sunny Tan**

Chief Executive Officer, ASA Multiplate

Mr Tan joined the Group in 2011 and is now the Chief Executive Officer of ASA Multiplate. He is 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.

# FINANCIAL HIGHLIGHTS

RESULT OF OPERATIONS	2015	2016	2017
	S\$'000	S\$'000	S\$'000
<b>STATEMENT OF THE GROUP RESULTS</b>			
Turnover	116,539	141,883	123,905
Adjusted EBITDA*	(1,140)	3,765	(289)
Loss before income tax	(46,054)	(7,326)	(13,216)
Income tax	(836)	(37)	(1,387)
Loss for the year	(46,890)	(7,363)	(14,603)
<b>Attributable to:</b>			
Owners of the Company	(20,478)	1,038	(4,397)
Non-controlling interests	(26,412)	(8,401)	(10,206)
	(46,890)	(7,363)	(14,603)
(Loss)/Earnings per share (cents)	(3.1)	0.2	(0.7)
<b>FINANCIAL POSITION OF THE GROUP</b>			
Intangible assets	839	2,407	4,170
Property, plant & equipment	20,666	20,845	20,582
Investment properties	-	350	338
Investment in associates	11	-	4,807
Investment securities and deferred tax assets	1,172	203	127
Other receivables and prepayments	693	1,382	-
Current assets	99,320	103,983	88,852
Non-current assets held for sale	1,904	-	-
Total Assets	124,605	129,170	118,876
Equity attributable to owners of the Company	62,460	62,823	58,569
Non-controlling interests	7,847	(555)	(7,953)
	70,307	62,268	50,616
Long term & deferred liabilities	2,702	4,872	4,579
Current liabilities	51,596	62,030	63,681
Total Equity and Liabilities	124,605	129,170	118,876
NAV per share (cents)	9.5	9.6	9.0
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
<b>TURNOVER AND PROFITABILITY</b>			
Analysis by Activities			
<b>Turnover</b>			
Back-End Equipment Solutions and Technologies	113,318	136,938	121,230
Distribution and Services	3,221	4,945	2,675
	116,539	141,883	123,905
<b>Group profit/(loss) before tax</b>			
Back-End Equipment Solutions and Technologies	(26,394)	1,932	(1,922)
Distribution and Services	(19,660)	(9,258)	(11,220)
Adjustment and Eliminator	-	-	(74)
	(46,054)	(7,326)	(13,216)

\* Adjusted EBITDA = earnings before interest, taxes, depreciation, amortisation, impairment losses and gain on disposal of subsidiaries.

# 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:

Fong Wai Leong  
*Lead Independent Director*

Professor Dr Kriengsak Chareonwongsak  
*Independent Director*

Dr Kenneth Yu Keung Yum  
*Independent Director*

Mandie Chong Man Sui  
*Independent Director*

## AUDIT COMMITTEE

Fong Wai Leong  
*Chairman*

Professor Dr Kriengsak Chareonwongsak  
Dr Kenneth Yu Keung Yum

## NOMINATING COMMITTEE

Professor Dr Kriengsak Chareonwongsak  
*Chairman*

Fong Wai Leong  
Dr Kenneth Yu Keung Yum

## REMUNERATION COMMITTEE

Dr Kenneth Yu Keung Yum  
*Chairman*

Fong Wai Leong  
Professor Dr Kriengsak Chareonwongsak

## COMPANY SECRETARY

Dayne Ho Chung Wei

## EXECUTIVE OFFICERS

Mr Anthony Loh  
*Financial Controller*

Ms Junny Foong  
*Vice President, Admin/HR/IT*

Mr Lau Hoo Shoon  
*President, STI*

Mr Vincent Lew  
*Senior Vice President, STI*

Mr Han Chin Fong  
*Vice President, STI*

Mr Ajhar Amanullah  
*Vice President, STI*

Mr Teng Choon Hwee  
*Vice President, STI*

Mr Larry Lim  
*President, Telford Group*

Mr Ong Yu Huat  
*Senior Vice President, Telford Group*

Mr Gary Smith  
*Managing Director, Reel Service, Scotland*

Mr Roslan Bin Affandi  
*Vice President, Operations, EoPlex Group*

Mr Michael Pak  
*Chief Executive Officer,  
EoCell Inc./EoCell Ltd.*

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

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

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

Mr Sunny Tan  
*Chief Executive Officer, ASA Multiplate*

## REGISTERED OFFICE

1 Robinson Road #18-00  
AIA Tower  
Singapore 048542  
Tel: (65) 6535 1944  
Fax: (65) 6535 8577

## BUSINESS OFFICE

Blk 25, Kallang Avenue, #06-01,  
Kallang Basin Industrial Estate,  
Singapore 339416  
Tel: (65) 6392 6922  
Fax: (65) 6392 5522

## SHARE REGISTRAR

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

Malayan Banking Berhad  
Oversea-Chinese Banking Corporation  
Limited  
United Overseas Bank Limited



# CORPORATE SOCIAL RESPONSIBILITIES



## FOOD BANK SINGAPORE

The Food Bank Singapore is a charity organization that aims to fight hunger and reduce food wastage in Singapore. The Food Bank acquires donated food, much of which would otherwise be wasted, from farms, manufacturers, distributors, retail stores, consumers, and other sources, and make it available to those in need through a network of member beneficiaries.

Their vision is to be the prevailing centralized coordinating organization for all food donations and to play a key role in the reduction of food wastage within the whole supply chain.

In collaboration with Food Bank, ASTI organized a Food Donation Drive in 2017. Our employees generously donated cartons of non-perishable food items among which include rice, noodles, milk powder, canned food, beverages and biscuits. A total of 30 cartons of food items were collected and subsequently transported to the Food Bank warehouse.



## Telford Philippines

A firm proponent in the importance of the role of blood in saving lives, our colleagues at Telford Philippines once again partnered with Red Cross Philippines in a blood donation campaign in FY2017. Garnering cooperation from all employees, we once again contributed and played our part in hope of saving precious lives.

To ensure that we go beyond just blood donation, our employees were also given refresher courses, as in the past, to recognize life threatening emergencies, CPR providing skills, using AED and to choke relief in timely and effective ways.

We are proud that Telford has a team that is equipped in basic life saving knowledge. Most importantly, we are and will always be ready to lend a helping hand when such situations arise.



# APPENDIX 1

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2017

## CORPORATE GOVERNANCE REPORT



# CORPORATE GOVERNANCE REPORT

Year ended 31 December 2017

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ASTI Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to maintaining a high standard of corporate governance and to comply 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 2017 (“**FY2017**”) with specific references to the principles and guidelines set out in the Code.

## 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 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;
- 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);



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- 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. 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.

Presently, Mr Fong Wai Leong has served as an Independent Director of the Company for 13 years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review. Taking into account the views of the NC as disclosed in Principle 4, the Board concurs that Mr Fong Wai Leong has continued to demonstrate strong independence in discharging his responsibilities as a Director of the Company, notwithstanding that he has served on the Board for more than nine years from the date of his appointment.

# 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.

In the interim, the Executive Chairman has assumed additional responsibilities as the Group CEO until a suitable CEO is found. The Board is confident that given the Executive Chairman’s vast experience and past contributions, he will be able to bring great 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 manages 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 Financial Controller 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.
Fong Wai Leong	Lead Independent	Chairman	Member	Member
Dr Kenneth Yu Keung Yum	Independent	Member	Chairman	Member
Dr Kriengsak Chareonwongsak	Independent	Member	Member	Chairman
Mandie Chong Man Sui	Independent	N.A.	N.A.	N.A.

# 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.

## 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	4	5	1	1
<b>Directors</b>				
Dato' Michael Loh Soon Gnee	4	4*	1*	1*
Mandie Chong Man Sui	4	4*	1*	1*
Timothy Lim Boon Liat	4	5*	1*	1*
Fong Wai Leong	4	5	1	1
Dr Kriengsak Chareonwongsak	4	5	1	1
Dr Kenneth Yu Keung Yum	4	5	1	1

### \* By Invitation

## 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 Fong Wai Leong and Dr Kenneth Yu Keung Yum, 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.

## 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.

# CORPORATE GOVERNANCE REPORT

## Retirement and Re-election of Directors

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment 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 submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution provides that 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 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	23 October 2003	29 April 2017
Timothy Lim Boon Liat	Executive Director	16 January 2004	30 April 2015
Fong Wai Leong	Lead Independent Director	16 January 2004	29 April 2016
Dr Kenneth Yu Keung Yum	Independent Director	20 October 2016	29 April 2017
Dr Kriengsak Chareonwongsak	Independent Director	12 August 2011	29 April 2017
Mandie Chong Man Sui	Independent Director	16 January 2004	29 April 2016

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

Mr Lim Boon Liat Timothy	Executive Director
Mr Mandie Chong Man Sui	Independent Director

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.

For good corporate governance, the Board carries out rigorous review of the contribution and independence of Directors who has served on the Board beyond nine years from the date of their appointment and if necessary, may exercise its discretion to extend the tenures of these directors. Presently, Mr Fong Wai Leong has served as an Independent Director of the Company for more than nine years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr Fong Wai Leong continued to demonstrate independence in discharging his responsibilities as a Director of the Company by objectively expressing his opinions and seeking relevant explanations and clarifications on matters concerning the Group from Management. Moreover, he has gained knowledge and an understanding of the Group's business and operations that enable him to provide valuable contributions to the Company. Based on the declaration of independence received from Mr Fong Wai Leong, he has no association with Management or any substantial shareholder that could affect his independence.

# CORPORATE GOVERNANCE REPORT

After taking into account all these factors, and the need for progressive refreshing of the Board, the Board is of the opinion that Mr Fong Wai Leong continues to be independent, notwithstanding he has served on the Board for more than nine years from the date of his appointment.

In its annual review for FY2017, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the independence of the following Directors:

Fong Wai Leong	Lead Independent
Dr Kriengsak Chareonwongsak	Independent
Dr Kenneth Yu Keung Yum	Independent
Mandie Chong Man Sui	Independent

## 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 Chairperson 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 FY2017, 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. No external facilitator was used during the evaluation process.

For the year under review, the NC and the 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.

# CORPORATE GOVERNANCE REPORT

## 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, Dr. Kenneth Yu Keung Yum (RC Chairman), Mr Fong Wai Leong 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.

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;

# CORPORATE GOVERNANCE REPORT

- 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 FY2017.

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.

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.

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## Principle 9: Disclosure on Remuneration

### Remuneration of Directors for the Year Ended 31 December 2017

Directors	Remuneration (S\$'000)	Fees* (%)	Fixed Salary (%)	Bonus & Management Incentive (%)	Share-Based Compensation (%)	Benefits & Allowance (%)	Total (%)
Dato' Michael Loh Soon Gnee	1,910	5%	89%	N.A.	N.A.	6%	100%
Timothy Lim Boon Liat	309	13%	76%	N.A.	N.A.	11%	100%
Fong Wai Leong	41	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Kriengsak Chareonwongsak	40	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	79	100%	N.A.	N.A.	N.A.	N.A.	100%

\* The directors' fees refer to the proposed fees for FY2017 which are subject to shareholders' approval in the forthcoming AGM.

\*\* The compensation paid excludes that paid in ASA as it has become an associate of the Group in FY2017.

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

Remuneration Band	2017
Below S\$250,000	None
S\$250,000 to below S\$500,000	4
S\$500,000 to below S\$750,000	1

There are 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\$1,980,000. 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).

There are no employees who are immediate family members of a Director or the Group CEO, and whose remuneration exceeds S\$50,000 during FY 2017.

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.

## 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](http://www.astigp.com).

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



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## **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 Financial Controller of the Company that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2017 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 and 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.

## **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.

# CORPORATE GOVERNANCE REPORT

## ***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, Mr Fong Wai Leong (AC Chairman), Dr Kriengsak Chareonwongsak and Dr Kenneth Yu Keung Yum, 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, evaluation of the accounting controls, 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;
- 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;

# CORPORATE GOVERNANCE REPORT

- 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 five (5) 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, Financial Controller, 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 FY2017. 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 FY2017 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, Financial Controller 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 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 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 FY2017, 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 FY 2017 are S\$315,000 and S\$50,000 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, carried out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address the same were reported to the AC. 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 complaints received 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 FY2017. 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](http://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 FY2017 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 FY2017, 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 FY2017.

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.

# APPENDIX 2

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2017

## **DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS**

- 1 Directors' Statement
- 3 Independent Auditor's Report
- 7 Balance Sheets
- 8 Consolidated Income Statement
- 9 Consolidated Statement of Comprehensive Income
- 10 Consolidated Statement of Changes in Equity
- 12 Consolidated Cash Flow Statement
- 14 Notes to the Financial Statements



## DIRECTORS' STATEMENT

The Directors 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 2017.

### 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 2017 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  
 Fong Wai Leong  
 Timothy Lim Boon Liat  
 Mandie Chong Man Sui  
 Dr Kriengsak Chareonwongsak  
 Dr Kenneth Yu Keung Yum

### 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 the year	At the end of the year	At 21 January 2018
<b>Ordinary shares of the Company</b>			
Dato' Michael Loh Soon Gnee			
- held in name of Director	65,209,600	65,209,600	65,209,600
- deemed interest	65,000,000	65,000,000	65,000,000
Mandie Chong Man Sui			
- deemed interest	136,800	136,800	136,800
Timothy Lim Boon Liat			
- held in name of spouse	99,000	99,000	99,000



## DIRECTORS' STATEMENT

Name of Directors	At the beginning of the year	At the end of the year	At 21 January 2018
<b>Ordinary shares of the related party Advanced Systems Automation Limited</b>			
Dato' Michael Loh Soon Gnee			
- held in name of Director	-	4,444,444,444	4,444,444,444

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

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 carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed 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

3 April 2018

# INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2017

## Report on the Audit of the Financial Statements

### 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 2017, 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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 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.

#### *Impairment assessment of property, plant and equipment*

As at 31 December 2017, the carrying value of property, plant and equipment amounted to S\$20,582,000. In 2017, indicators of impairment of property, plant and equipment were present due to weak operating performance of a subsidiary. In particular, due to delays, management performed an impairment test with respect to its construction-in-progress as at 31 December 2017. One of the Group's subsidiaries, Nanjing DTB Development Co., Ltd ("Nanjing DTB") is constructing a replica of the Dragon Treasure Boat in the People's Republic of China as part of a commercial project with another Chinese shareholder. As stated in Note 5(ii), an impairment charge of S\$3,635,000 was recognised on the construction-in-progress for the year ended 31 December 2017.

This area was significant to our audit due to the magnitude of the carrying amount and management's judgement involved in the impairment assessment. Our audit procedures included, amongst others, evaluating and assessing the facts and circumstances of the suspension of the construction, and rationale provided by management to support the impairment charge in view of the uncertainty surrounding the boat project, as well as evaluating and assessing the key assumptions and methodology used by management in the cash flow forecast, and discussing with management on the availability of other viable options to determine the reasonableness of the impairment charge. We also assessed the adequacy of the disclosures on management's explanation on the impairment assessment and the related disclosures are included in Note 5(ii).

# INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2017

## Key Audit Matters (cont'd)

### *Allowance for doubtful debts*

As at 31 December 2017, the carrying value of trade and other receivables and the related allowance for doubtful debts amounted to S\$34,042,000 and S\$5,639,000. The net trade and other receivables of S\$28,403,000 represents 24% of the total assets of the consolidated balance sheet.

The determination of whether the receivables are collectable requires significant management judgment. In determining whether there is objective evidence that an allowance for doubtful debts is required, management considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payments. The collectability of trade and other receivables is a key element of the Group's working capital management, which is managed on an ongoing basis. As such, we determined that this is a key audit matter.

We assessed the Group's processes and controls relating to the monitoring of trade and other receivables and reviewed the trade receivables aging to identify collection risks. Our audit procedures included, amongst others, requesting trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of receipts from the trade and other debtors subsequent to year end. We reviewed management's assumptions used to calculate the allowance established for doubtful debts, notably through analyses of ageing of receivables, assessment of significant overdue individual trade and other receivables and specific local risks and inquiry of management of any disputes with debtors.

Where an allowance for other receivables are made, we obtained an understanding of the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we obtained corroborative evidence including correspondences supporting any disputes between the parties involved, attempts by management to recover the amount outstanding and on the credit status of significant debtors. We also assessed the adequacy of the disclosures on the trade and other receivables and the related risks such as credit risk and liquidity risk in Notes 14, 15, and 42 respectively.

### *Allowance for stock obsolescence*

As of 31 December 2017, total inventory and the related allowances for stock obsolescence amounted to S\$24,068,000 and S\$5,285,000 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 high 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.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

AS AT 31 DECEMBER 2017

## 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 2017

## 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.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

3 April 2018

**BALANCE SHEETS**

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	4	4,170	2,407	–	–
Property, plant and equipment	5	20,582	20,845	79	19
Investment properties	6	338	350	–	–
Investments in subsidiaries	7	–	–	17,532	20,433
Investments in associates	8	4,807	–	5,801	–
Investment securities	9	24	22	–	–
Deferred tax assets	25	103	181	–	–
Prepayments and advances	11	–	953	–	–
Amounts due from subsidiaries	12	–	–	–	2,843
Other receivables	15	–	429	–	–
		<b>30,024</b>	<b>25,187</b>	<b>23,412</b>	<b>23,295</b>
<b>Current assets</b>					
Inventories	10	24,068	24,974	–	–
Prepayments and advances	11	1,112	1,606	92	138
Amounts due from subsidiaries	12	–	–	8,184	8,372
Amounts due from associates	13	14	–	–	–
Trade receivables	14	31,203	34,542	–	–
Other receivables	15	2,839	3,687	–	–
Cash and cash equivalents	16	29,616	39,174	1,485	1,402
		<b>88,852</b>	<b>103,983</b>	<b>9,761</b>	<b>9,912</b>
<b>Total assets</b>		<b>118,876</b>	<b>129,170</b>	<b>33,173</b>	<b>33,207</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Provisions	17	409	526	–	–
Income tax payable		1,020	1,102	120	–
Loans and borrowings	18	25,161	23,309	5,000	5,000
Trade payables and accruals	19	27,293	29,980	1,815	1,286
Other payables	20	9,263	7,113	234	279
Amounts due to subsidiaries	21	–	–	315	1,767
Amounts due to associates	22	535	–	–	–
		<b>63,681</b>	<b>62,030</b>	<b>7,484</b>	<b>8,332</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	25	165	143	–	–
Lease creditors	23	1,325	191	–	–
Long term payables	24	1,028	1,112	–	–
Loans and borrowings	18	2,061	3,426	–	–
Amounts due to subsidiaries	21	–	–	44,718	34,901
		<b>4,579</b>	<b>4,872</b>	<b>44,718</b>	<b>34,901</b>
<b>Total liabilities</b>		<b>68,260</b>	<b>66,902</b>	<b>52,202</b>	<b>43,233</b>
<b>Net assets/(liabilities)</b>		<b>50,616</b>	<b>62,268</b>	<b>(19,029)</b>	<b>(10,026)</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	32	132,617	132,617	132,617	132,617
Treasury shares	33	(4,772)	(4,772)	(4,772)	(4,772)
Foreign currency translation reserve	34	(1,598)	(1,894)	–	–
Capital reserves	35	(8,091)	(7,936)	(2,960)	(2,960)
Fair value reserve	36	2	–	–	–
Accumulated losses	45	(59,589)	(55,192)	(143,914)	(134,911)
		<b>58,569</b>	<b>62,823</b>	<b>(19,029)</b>	<b>(10,026)</b>
Non-controlling interests		(7,953)	(555)	–	–
<b>Total equity</b>		<b>50,616</b>	<b>62,268</b>	<b>(19,029)</b>	<b>(10,026)</b>
<b>Total equity and liabilities</b>		<b>118,876</b>	<b>129,170</b>	<b>33,173</b>	<b>33,207</b>

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 2017

	Note	Group	
		2017 S\$'000	2016 S\$'000
<b>Revenue</b>	26	123,905	141,883
Cost of sales		(79,854)	(96,105)
<b>Gross profit</b>		44,051	45,778
<b>Other income</b>	27	1,045	775
<b>Other expense</b>			
Marketing and distribution		(10,621)	(12,356)
Research and development		(11,713)	(12,525)
Administrative expenses		(24,319)	(25,404)
Other expenses, net	28	(9,363)	(2,278)
Finance costs, net	29	(1,247)	(1,309)
Share of results of associates, net of tax		(1,049)	(7)
<b>Loss before tax</b>	30	(13,216)	(7,326)
Income tax expense	25	(1,387)	(37)
<b>Loss for the year</b>		<b>(14,603)</b>	<b>(7,363)</b>
<b>Attributable to:</b>			
Owners of the Company		(4,397)	1,038
Non-controlling interests		(10,206)	(8,401)
<b>Loss for the year</b>		<b>(14,603)</b>	<b>(7,363)</b>
<b>(Loss)/earnings per share (cents per share)</b>			
Basic	31	(0.67)	0.16
Diluted	31	(0.67)	0.16

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 2017

	Note	Group	
		2017 S\$'000	2016 S\$'000
<b>Loss for the year</b>		(14,603)	(7,363)
<b>Other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation		181	(632)
Reclassification of foreign currency translation on disposal of subsidiaries		(38)	–
Share of other comprehensive income of associates		(12)	–
Realisation of fair value changes on available-for-sale assets		–	(30)
Fair value changes on available-for-sale assets		5	(14)
Other comprehensive income for the year, net of tax		136	(676)
<b>Total comprehensive income for the year</b>		<b>(14,467)</b>	<b>(8,039)</b>
<b>Attributable to:</b>			
Owners of the Company		(4,099)	261
Non-controlling interests		(10,368)	(8,300)
<b>Total comprehensive income for the year</b>		<b>(14,467)</b>	<b>(8,039)</b>

*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 2017

2017 Group	Attributable to owners of the Company										Non- controlling interests	Equity Total
	Share capital					Accumulated losses						
	Treasury shares	Capital reserves (Non-distributable)	Fair value reserve	Foreign currency translation reserve	(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	S\$'000	S\$'000	S\$'000
Opening balance at 1 Jan 2017	132,617	(4,772)	(7,936)	-	(1,894)	(55,192)	62,823	(555)	62,268	(14,603)		
<b>Loss for the year</b>	-	-	-	-	-	(4,397)	(4,397)	(10,206)	(14,603)			
Other comprehensive income	-	-	-	-	346	-	346	(165)	181			
Foreign currency translation adjustment	-	-	-	-	(38)	-	(38)	-	(38)			
Reclassification of foreign currency translation on disposal of subsidiaries	-	-	-	-	(12)	-	(12)	-	(12)			
Share of other comprehensive income of associates	-	-	-	2	-	-	2	3	5			
Fair value changes on available-for-sale assets	-	-	-	-	-	-	-	-	-			
<b>Other comprehensive income for the year, net of tax</b>	-	-	-	2	296	-	298	(162)	136			
<b>Total comprehensive income for the year</b>	-	-	-	2	296	(4,397)	(4,099)	(10,368)	(14,467)			
Non-controlling interests' subscription of shares in a subsidiary pursuant to rights issue	-	-	-	-	-	-	-	7,517	7,517			
Disposal of subsidiaries	-	-	(155)	-	-	-	-	(4,547)	(4,702)			
<b>Total changes in ownership interests in subsidiaries</b>	-	-	(155)	-	-	-	-	2,970	2,815			
<b>Closing balance at 31 Dec 2017</b>	132,617	(4,772)	(8,091)	2	(1,598)	(59,589)	58,569	(7,953)	50,616			

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 2017

2016 Group	Attributable to owners of the Company										Non- controlling interests	Equity Total	
	Share capital					Reserves							Equity attributable to owners of the Company, Total
	Treasury shares	Capital reserves (Non-distributable)	Fair value reserve	Foreign currency translation reserve	Accumulated losses (Distributable)	Share premium	Retained earnings	Other reserves	Foreign currency translation reserve	Accumulated losses (Distributable)			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Opening balance at 1 Jan 2016	132,617	(4,772)	(8,038)	18	(1,135)	(56,230)	7,847	62,460	7,847	70,307	7,847	70,307	
<b>Profit/(loss) for the year</b>	-	-	-	-	-	1,038	(8,401)	1,038	(8,401)	(7,363)	(8,401)	(7,363)	
Other comprehensive income	-	-	-	-	(759)	-	127	(759)	127	(632)	127	(632)	
Foreign currency translation adjustment	-	-	-	-	(759)	-	-	-	-	-	-	-	
Realisation of fair value changes on available-for-sale assets	-	-	-	(12)	-	-	(18)	(12)	(18)	(30)	(18)	(30)	
Fair value changes on available-for-sale assets	-	-	-	(6)	-	-	(8)	(6)	(8)	(14)	(8)	(14)	
<b>Other comprehensive income for the year, net of tax</b>	-	-	-	(18)	(759)	-	101	(777)	101	(676)	101	(676)	
<b>Total comprehensive income for the year</b>	-	-	-	(18)	(759)	1,038	(8,300)	261	(8,300)	(8,039)	(8,300)	(8,039)	
<i>Changes in ownership interests in subsidiaries without a change in control</i>	-	-	-	-	-	-	-	-	-	-	-	-	
Dilution of interests in subsidiaries without a change in control (Note 7(ii))	-	-	102	-	-	-	(102)	102	(102)	-	(102)	-	
<b>Total changes in ownership interests in subsidiaries</b>	-	-	102	-	-	-	(102)	102	(102)	-	(102)	-	
<b>Closing balance at 31 Dec 2016</b>	132,617	(4,772)	(7,936)	-	(1,894)	(55,192)	(555)	62,823	(555)	62,268	(555)	62,268	

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 2017

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	S\$'000	S\$'000
<b>Operating activities</b>		
Loss before tax	(13,216)	(7,326)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	5,296	5,823
Depreciation of investment properties	17	4
Amortisation of intangible assets	–	113
Gain on disposal of property, plant and equipment	(197)	(1,244)
Impairment loss on property, plant and equipment	3,635	1,509
Impairment loss on club memberships	8	53
Impairment loss on intellectual property	–	492
Impairment loss on investment securities	–	1,684
Impairment loss on long term prepayment	1,155	–
Allowance on other receivables	92	467
Property, plant and equipment written off	43	8
Allowance on trade receivables	48	2,643
Write back of allowance on other receivables	–	(286)
Allowance on amounts due from associates	4,824	–
Allowance for stock obsolescence	242	784
Provisions for warranty	198	321
Gain on disposal of subsidiaries	(2,945)	–
(Gain)/loss on disposal of club membership	(73)	1
Realisation of fair value changes on available-for-sale assets	–	(30)
Net fair value (gain)/loss on derivatives	(68)	68
Share of results of associates	1,049	7
Interest income	(152)	(129)
Interest expense	1,097	1,128
Effects of exchange loss/(gain)	2,033	(1,082)
Total adjustments	<u>16,302</u>	<u>12,334</u>
Operating cash flows before changes in working capital	3,086	5,008
<u>Changes in working capital</u>		
Receivables	(4,179)	(12,190)
Inventories	(4,412)	255
Payables	8,497	(1,490)
Provisions	(277)	(262)
Amounts due from associates	(170)	–
Total changes in working capital	<u>(541)</u>	<u>(13,687)</u>
<b>Cash flow generated from/(used in) operations</b>	<b>2,545</b>	<b>(8,679)</b>
Interest paid	(1,012)	(1,043)
Interest received	152	129
Income tax paid	(1,387)	(1,458)
Income tax refund	83	511
<b>Net cash generated from/(used in) operating activities</b>	<b>381</b>	<b>(10,540)</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	271	3,842
Proceeds from disposal of club membership	141	1
Purchase of property, plant and equipment (Note (i))	(7,330)	(8,014)
Expenditure on development project	(249)	(233)
Proceeds from disposal of investment securities, net	–	80
Proceeds from disposal of non-current assets held for sale	–	1,934
Expenditure on research and development project	(2,117)	(2,115)
Extension of club membership	(19)	–
Loan to associates	(665)	–
Cash and cash equivalents divested on disposal of subsidiaries	(6,920)	–
<b>Net cash used in investing activities</b>	<b>(16,888)</b>	<b>(4,505)</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 S\$'000	2016 S\$'000
<b>Financing activities</b>		
Payment to finance lease creditors	(605)	(715)
Proceeds from bank borrowings	4,713	12,251
Repayments of bank borrowings	(3,758)	(887)
Other borrowings, net	(559)	555
Proceeds from rights issue exercise of a subsidiary	7,517	–
Advances for capital injection from non-controlling interest	407	1,629
<b>Net cash flows generated from financing activities</b>	<b>7,715</b>	<b>12,833</b>
Net decrease in cash and cash equivalents	(8,792)	(2,212)
Cash and cash equivalents at 1 January	39,174	41,166
Effects of exchange rate changes on cash and cash equivalents	(766)	220
<b>Cash and cash equivalents at 31 December</b>	<b>29,616</b>	<b>39,174</b>

**(i) Purchase of property, plant and equipment**

Property, plant and equipment were acquired by means of:

	Group	
	2017 S\$'000	2016 S\$'000
Cash payments	7,330	8,014
Finance leases and other payables	5,854	2,136
	<b>13,184</b>	<b>10,150</b>

*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 2017

## 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 are disclosed in Note 7.

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 2017 were authorised for issue in accordance with a resolution of the Directors on 3 April 2018.

## 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 (“FRS”).

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

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

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed a preliminary assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify a debit amount of \$1,894,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above, the Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 3.2.

As at 31 December 2017, the Company was in a net liabilities position of S\$19,029,000 (2016: net liabilities position of S\$10,026,000). The financial statements of the Company have been prepared on a going concern basis as the subsidiaries have the ability to declare dividends to the Company as and when needed without any restrictions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3.2 Changes in accounting policies

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

### 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>
Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40 <i>Transfers of Investment Property</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Improvements to FRSs (December 2016)	1 January 2018
- Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i>	
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i> and FRS 28 <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019
- Amendments to FRS 103 <i>Business Combinations</i>	
- Amendments to FRS 111 <i>Joint Arrangements</i>	
- Amendments to FRS 12 <i>Income Taxes</i>	
- Amendments to FRS 23 <i>Borrowing Costs</i>	
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

As disclosed in Note 3.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

### FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(i) Classification and measurement

The Group intends to continue to measure its available-for-sale quoted equity securities at fair value through profit or loss (“FVTPL”). The Group does not expect any significant impact arising from these changes.

(ii) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a material impact on the loss allowance, but it will need to perform a more detailed analysis which considers all reasonable and supportable information.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is in a business of providing sale of semiconductor equipment, provision of semiconductor manufacturing services, provision of fabrication and assembly services and distribution of electrical components. The Group performed a preliminary assessment of adopting FRS 115 based on currently available information.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements. The Group does not expect significant impact to arise from these changes. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

### 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.

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### 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 2017, 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.

#### **Deconsolidation of Advanced Systems Automation Limited ("ASA")**

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, with a percentage shareholding of 37% as at 31 December 2017. However, Dato' Michael Loh Soon Gnee has become a substantial shareholder in ASA Group, holding 28.09% (2016: Nil) of ASA Group's shares.

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. 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.

### 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) Impairment of property, plant and equipment**

The Group determines the recoverable amount of property, plant and equipment based on the higher of its fair values less costs to sell and its value-in-use. When value-in-use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 is disclosed in Note 5.

#### **(ii) Impairment of loan and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. In determining whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables and the related allowance for doubtful debts as at 31 December 2017 are disclosed in Note 14 and 15 respectively.



# NOTES TO THE FINANCIAL STATEMENTS

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## (iii) 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 2017 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.

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

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

### (ii) Business combinations

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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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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. The accounting policy for goodwill is set out in Note 3.9(i). 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 measured.

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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. The cost of an asset comprises its purchase price, the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment, and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 calculated on the straight-line method to write off the cost of the property, plant and equipment other than freehold land over their estimated useful lives 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.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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

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

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

## 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. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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

# NOTES TO THE FINANCIAL STATEMENTS

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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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

## 3.9 Intangible assets

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

### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the Group's operating segments.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6 above.

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

### (ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic 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 for an intangible asset with a finite useful life 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. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite 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.

Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss when the asset is derecognised.

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.

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

Club memberships are assessed to have indefinite useful lives and are stated at cost less impairment losses. Club memberships with finite useful lives are amortised on a straight-line basis over 30 years.

Intangible assets are amortised on the following basis:

Development expenditure	- 3 - 5 years in line with sales from the related project
Intellectual property	- 5 - 10 years over its estimated useful economic lives
Customer relationships	- 4 years over the expected economic useful 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.

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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.

## 3.12 *Financial assets*

### (i) **Initial recognition and measurement**

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

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

### (ii) **Subsequent measurement**

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

#### (1) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

#### (2) **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

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## (3) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity instruments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques.

Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

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

### (iii) De-recognition

A financial asset is de-recognised 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.

### (iv) Regular way purchase or sale of a financial asset

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

## 3.13 Impairment

### Impairment of financial assets

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

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

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

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If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

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

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

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

## (ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

## (iii) Available-for-sale financial assets

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

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

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



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## (iv) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in profit or loss as 'impairment losses' in those expense categories consistent with the function of the impaired asset.

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

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 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.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants which relate to purchase of property, plant and equipment and intangible assets are credited against the respective accounts and are amortised on a straight-line basis over the estimated useful life of the assets.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

## 3.17 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

Provision for warranty-related costs represents the best estimate of the Group's contractual obligations at the end of the reporting period. The provision is based on past experience and industry averages for defective products. The majority of the costs are expected to be incurred over the applicable warranty periods. 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.

## 3.18 Financial liabilities

### (i) Initial recognition and measurement

Financial liabilities include trade payables, which are normally on 30-90 days terms, other amounts of payables, payables to subsidiaries, lease creditors and interest bearing loans and borrowings. Financial liabilities are recognised on the balance sheet 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.

### (ii) Subsequent measurement

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

#### (1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## (2) Financial liabilities at amortised cost

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

### (iii) De-recognition

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

### 3.19 *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 recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the differences charged to profit or loss.

### 3.20 *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.

### 3.21 *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 liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3.22 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 3.24(vi). Contingent rents are recognised as revenue in the period in which they are earned.

## 3.23 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.

Non-current assets once classified as held for sale are not depreciated.

## 3.24 Revenue

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

### (i) Sale of goods

Revenue from the sale of machineries, and manufactured products and distribution sales of components is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### (ii) Provision of services

Revenue from provision of manufacturing services is recognised upon the completion, delivery and acceptance of the services rendered. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible rejection by customer.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## (iii) Interest income

Interest income is recognised using the effective interest method.

## (iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

## (v) Royalty income

Royalty income is recognised when the Group's right to receive royalty is established.

## (vi) 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.

### 3.25 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

### (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.

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

### 3.26 Segment reporting

The Group manages its business based on the Group's nature of business which are 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 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.

### 3.28 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3.29 *Trade and other receivables*

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 3.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

The carrying amount of trade and other receivables impaired by credit losses is reduced through the use of an allowance for doubtful debts account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade and other receivables are ascertained to be uncollectible, they are written off against the allowance for doubtful debts account.

Significant financial difficulties of the debtor, debtors' dispute on satisfactory performance of our products and services, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

## 3.30 *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 cost.

## 3.31 *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 2017

## 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
<b>Cost</b>						
At 1 January 2016	8,733	959	15,067	478	459	25,696
Additions	2,115	–	–	–	–	2,115
Disposals	–	–	–	(2)	–	(2)
Currency realignment	100	24	–	6	–	130
At 31 December 2016 and 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	12,839	909	13,362	253	–	27,363
<b>Accumulated amortisation and impairment loss</b>						
At 1 January 2016	8,733	383	15,067	230	444	24,857
Charge for the year	–	94	–	4	15	113
Impairment loss	–	492	–	53	–	545
Currency realignment	–	14	–	3	–	17
At 31 December 2016 and 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	8,733	909	13,362	189	–	23,193
<b>Net book value</b>						
At 31 December 2017	4,106	–	–	64	–	4,170
At 31 December 2016	2,215	–	–	192	–	2,407

### **Development expenditure**

Included in development expenditure were costs incurred in 2017 for the development of the Group's battery and storage solutions unit, and has an amortisation period of five years. As at 31 December 2017, the development costs capitalised as intangible assets belonging to this CGU amounted to S\$4,106,000 (2016: S\$2,215,000). No amortisation has been recorded as the asset is not available for use. All research and development costs not eligible for capitalisation have been expensed and are recognised in the "research and development" line item in the consolidated income statement.

### **Amortisation expense**

The amortisation charges of intellectual property are included in "research and development" costs in the consolidated income statement. The amortisation charges of club memberships are included in "administrative expense" costs in the consolidated income statement. The amortisation charges of customer relationships are included in "marketing and distribution" costs in the consolidated income statement.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## *Impairment testing of intellectual property*

Intellectual property belong to EoPlex Limited and its subsidiaries (“EoPlex Group”) relating to patents for the development of advanced chip packaging and related technology.

The recoverable amount of the intellectual property has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five year period are as follows:

	<b>Intellectual property</b>	
	<b>2017</b>	<b>2016</b>
<i>Growth rates beyond five-year period</i>	N.A.	1.0%
<i>Pre-tax discount rates</i>	N.A.	25.0%

## Key assumptions used in the value-in-use calculations

In 2016, the calculations of value-in-use for the intellectual property were most sensitive to the following assumptions:

*Budgeted revenues* – Revenue was forecasted to grow significantly as the EoPlex Group was operating as a start-up, and expect significant increase in sales volume once qualifications from customers had been obtained after the first year.

*Budgeted gross margins* – Gross margins were forecasted at 42.0% based on internal analysis of the product’s cost structure.

*Growth rates* – The forecasted growth rates were based on published industry research and did not exceed the long-term average growth rate for the relevant industries.

*Pre-tax discount rates* – The discount rate calculation was based on the specific circumstances of the EoPlex Group and derived from its weighted average cost of capital (“WACC”). The WACC took into account both debt and equity. The cost of equity was derived from the expected return on investment by the EoPlex Group’s investors. The cost of debt was based on the interest bearing borrowings the EoPlex Group was obliged to service.

## Impairment loss recognised

In 2016, an impairment loss was recognised to write-down the carrying amount of intellectual property. The impairment loss of S\$492,000 had been recognised in the consolidated income statement under the line item “other expenses, net”.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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	Construction-in-progress S\$'000	Total S\$'000
<b>Cost</b>								
At 1 January 2016	8,895	3,300	8,950	85,255	5,038	678	8,985	121,101
Additions	–	–	490	6,793	396	32	2,439	10,150
Disposals	–	–	–	(11,763)	(2)	(146)	–	(11,911)
Transfer from inventories	–	–	–	210	–	–	–	210
Transfer to investment properties (Note 6)	(614)	–	–	–	–	–	–	(614)
Written off	(1)	–	(907)	(1,704)	(635)	(186)	–	(3,433)
Currency realignment	(29)	(62)	(74)	(910)	(87)	(12)	(371)	(1,545)
At 31 December 2016 and 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	–	–	–	(3,245)	(212)	(169)	–	(3,626)
Transfer from inventories	–	–	–	160	–	–	–	160
Written off	–	–	(446)	(1,675)	(473)	(69)	–	(2,663)
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	6,574	3,184	10,377	54,570	6,074	818	12,112	93,709
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2016	2,864	3,300	8,150	72,675	4,015	446	8,985	100,435
Impairment loss	–	–	233	1,199	54	23	–	1,509
Charge for the year	288	–	358	4,572	544	61	–	5,823
Disposals	–	–	–	(9,166)	(1)	(146)	–	(9,313)
Transfer to investment properties (Note 6)	(260)	–	–	–	–	–	–	(260)
Written off	–	–	(906)	(1,700)	(633)	(186)	–	(3,425)
Currency realignment	2	(62)	(82)	(1,036)	(87)	(11)	(380)	(1,656)
At 31 December 2016 and 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	–	–	–	(3,171)	(212)	(169)	–	(3,552)
Written off	–	–	(446)	(1,643)	(472)	(59)	–	(2,620)
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	2,784	3,184	8,992	40,355	5,267	433	12,112	73,127
<b>Net book value</b>								
At 31 December 2017	3,790	–	1,385	14,215	807	385	–	20,582
At 31 December 2016	5,357	–	706	11,337	818	179	2,448	20,845
<b>Net book value of property, plant and equipment under finance leases (Note 23)</b>								
At 31 December 2017	–	–	–	1,701	–	184	–	1,885
At 31 December 2016	–	–	–	679	190	–	–	869

\* Includes freehold land at cost of S\$2,458,000 (2016: S\$3,045,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Impairment loss recognised

### (i) Property, plant and equipment except for construction-in-progress

The Group carried out a review of the recoverable amount of its property, plant and equipment and no further impairment charge was required for the financial year ended 31 December 2017. In 2016, an amount of S\$1,509,000, representing the write-down of the property, plant and equipment to their recoverable amounts was recognised in “Other expenses, net” of the consolidated income statement for the financial year ended 31 December 2016. The recoverable amount of these property, plant and equipment was based on its value-in-use and the pre-tax discount rate applied to value-in-use computation was 25.0% per annum.

### (ii) Construction-in-progress

Construction-in-progress relates to the construction of a boat in the People’s Republic of China. In 2016, the Group updated its impairment assessment using cash flow projections covering a twenty-year period based on the useful life of the vessel, with 2038 being the terminal year. No further impairment charge on the vessel was required for the financial year ended 31 December 2016 based on the value-in-use calculation. The pre-tax discount rate applied to the value-in-use computation was 14.6% per annum. 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 recognized 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% (2016: 14.3%).

<b>Company</b>	<b>Office equipment S\$'000</b>
<b>Cost</b>	
At 1 January 2016	293
Additions	10
Written off	(1)
At 31 December 2016 and at 1 January 2017	302
Additions	78
At 31 December 2017	380
<b>Accumulated depreciation</b>	
At 1 January 2016	259
Charge for the year	25
Written off	(1)
At 31 December 2016 and at 1 January 2017	283
Charge for the year	18
At 31 December 2017	301
<b>Net book value</b>	
At 31 December 2017	79
At 31 December 2016	19

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6. INVESTMENT PROPERTIES

	Group	
	2017	2016
	S\$'000	S\$'000
<u>Balance Sheet:</u>		
<b>Cost</b>		
At 1 January	614	–
Transfer from property, plant and equipment (Note 5)	–	614
Currency realignment	9	–
At 31 December	623	614
<b>Accumulated depreciation</b>		
At 1 January	264	–
Transfer from property, plant and equipment (Note 5)	–	260
Charge for the year	17	4
Currency realignment	4	–
At 31 December	285	264
<b>Net book value</b>		
At 31 December	338	350
<u>Income statement:</u>		
Rental income from investment properties:		
- Minimum lease payments	92	23
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	– *	– *

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

In 2016, the Group transferred two office units that were held as freehold land and building to investment properties as the Group has commenced using the two office units for rental income purposes.

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\$828,000 (2016: S\$818,000) based on a valuation performed as at 31 December 2017. 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. The investment properties have estimated lease periods of 2 years to 3 years as at 31 December 2017.

The investment properties held by the Group as at 31 December 2017 are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	S\$'000	S\$'000
Quoted shares, at cost	37,914	64,622
Unquoted shares, at cost	31,652	31,652
Less: Dividend income declared from subsidiary's pre-acquisition reserves	(294)	(294)
Carrying amount before impairment loss	69,272	95,980
Impairment loss on quoted shares	(35,919)	(59,726)
Impairment loss on unquoted shares	(15,821)	(15,821)
Carrying amount after impairment loss	17,532	20,433
Allowance for impairment		
At 1 January	75,547	68,447
Charge for the year	–	7,100
Disposal of subsidiaries (Note 7(i))	(23,807)	–
At 31 December	51,740	75,547
Carrying amount of quoted shares at 31 December	1,995	4,896
Market value of quoted shares at 31 December	4,848	4,896

### Impairment testing of investment in subsidiaries

In 2016, management performed an impairment assessment on certain subsidiaries which had been dormant or loss-making. Based on the assessment, management made additional impairment charge of S\$7,100,000 to write down the investment to its recoverable amount. The recoverable amount of the investment in subsidiary was based on its fair value less costs of disposal. The fair value is based on quoted market price of the shares of the subsidiaries.

### **Subsidiaries**

The Group has the following significant investments in subsidiaries:

	Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
			2017	2016
			%	%
<b><i>Held by the Company</i></b>				
(1)	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
(2)	Telford SVC. Phils., Inc. (Philippines)	Provision of semiconductor manufacturing services for surface mount technology components	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
(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
(3)	Telford Technologies (Shanghai) Pte Ltd (People's Republic of China)	Provision of semiconductor manufacturing services for surface mount technology components	100	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Name of company (Country of incorporation)	Principal activities	Proportion (%) of ownership interest	
			2017 %	2016 %
(2)	Telford Property Management Inc. (Philippines)	Property investment	100	100
(1)	Dragon Group International Limited (Singapore)	Investment holding and acting as corporate manager and advisor to its subsidiaries	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
<b>Held by EoPlex Limited</b>				
(4)	EoPlex Inc (United States of America)	Development of advanced chip packaging and related technologies	100	100
<b>Held by Telford Industries Pte Ltd</b>				
(3)	Telford Service Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
(3)	TQS Manufacturing Sdn. Bhd. (Malaysia)	Provision of semiconductor manufacturing services for surface mount technology components	100	100
<b>Held by Dragon Group International Limited</b>				
(1)	Sooner Technology Pte Ltd (Singapore)	Trading in electronic components, computer peripherals and acting as commission agent	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
(3)	DTB Limited (Hong Kong)	Investment holding	100	100
(4)	EoCell Limited (Hong Kong)	Development of battery and storage solutions	93	93
<b>Held by EoCell Limited</b>				
(4)	EoCell Inc (United States of America)	Development of battery and storage solutions	100	100
<b>Held by DTB Limited</b>				
(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
(3)	Dragon Ventures Limited (Hong Kong)	Investment holding	100	100
<b>Held by Dragon Ventures Limited</b>				
(4)	Dragon Tourism Management Company Limited (People's Republic of China)	Develop and manage a mixed-used property	100	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Name of company (Country of incorporation)	Principal activities	Proportion (%) of ownership interest	
		2017 %	2016 %
<b><i>Held by Advanced Systems Automation Limited</i></b>			
(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(i).

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

Subsidiaries that are audited by other audit firms: -

<b>Company</b>	<b>Auditors</b>
Telford Technologies (Shanghai) Pte Ltd	Shanghai Huzhong Certified Public Accountant Co., Ltd. People's Republic of China
Telford Service Sdn. Bhd.	BDO, Malaysia
TQS Manufacturing Sdn. Bhd.	Cheng & Co., Malaysia
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 Yonghe Certified Public Accountant Co. Ltd
EoPlex Limited	Brilliance CPA Limited, Hong Kong

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 31 December 2016)
3. EoPlex Limited and its subsidiaries (“EoPlex Group”)

Name of subsidiary	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
<b>31 December 2017:</b>				
DGI Group	Singapore	59%	7,649	(3,008)
EoPlex Group	Hong Kong	15%	389	(4,857)
<b>31 December 2016:</b>				
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 2017 and 31 December 2016.

## 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.

## Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

### Summarised balance sheets

	DGI Group		ASA Group		EoPlex Group	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Current</b>						
Assets	2,979	6,171	–	15,609	1,153	1,107
Liabilities	11,118	3,947	–	15,553	33,412	33,119
<b>Net current (liabilities)/assets</b>	<b>(8,139)</b>	<b>2,224</b>	<b>–</b>	<b>56</b>	<b>(32,259)</b>	<b>(32,012)</b>
<b>Non-current</b>						
Assets	5,230	7,135	–	1,977	–	–
Liabilities	5	–	–	2,843	1,028	1,284
<b>Net non-current assets/(liabilities)</b>	<b>5,225</b>	<b>7,135</b>	<b>–</b>	<b>(866)</b>	<b>(1,028)</b>	<b>(1,284)</b>
<b>Net (liabilities)/assets</b>	<b>(2,914)</b>	<b>9,359</b>	<b>–</b>	<b>(810)</b>	<b>(33,287)</b>	<b>(33,296)</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Summarised income statement

	DGI Group		ASA Group		EoPlex Group	
	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	2,675	4,945	–	26,558	42	62
Loss before income tax	(11,220)	(9,258)	–	(2,822)	(2,593)	(7,255)
Income tax (expense)/credit	(76)	(66)	–	8	–	–
Loss for the year	(11,296)	(9,324)	–	(2,814)	(2,593)	(7,255)

## Summarised statement of other comprehensive income

	DGI Group		ASA Group		EoPlex Group	
	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Loss for the year	(11,296)	(9,324)	–	(2,814)	(2,593)	(7,255)
Other comprehensive income	(904)	505	–	(146)	2,601	(926)
Total comprehensive income for the year	(12,200)	(8,819)	–	(2,960)	8	(8,181)

## Other summarised information

	DGI Group		ASA Group		EoPlex Group	
	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net cash flows (used in)/generated from operations	(3,540)	(6,882)	–	(1,641)	147	280
Acquisition of significant property, plant and equipment	(1,292)	(3,439)	–	(303)	–	(482)

## Changes in equity interest in subsidiaries in 2017

### (i) Loss of control in ASA Group with no dilution in equity interest

As at 31 December 2016, the Company had 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 current 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% (2016: Nil) 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 2017

	<b>2017</b> S\$'000
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
	<u>24,867</u>
Trade and other payables	(17,142)
Other provisions	(38)
Income tax payable	(91)
	<u>7,596</u>
Carrying value of net assets deconsolidated	7,596
Non-controlling interests' share of net assets deconsolidated	4,547
Group's shares of net assets deconsolidated	<u>3,049</u>
Gain on disposal:	
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	<u>2,945</u>

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

## **Changes in equity interest in a subsidiary in 2016**

### **(ii) Dilution in equity interest in DGI's subsidiary, EoCell Limited**

On 28 December 2016, the Group's subsidiary, DGI's equity interest in EoCell Limited was diluted by 7% upon the issuance of new shares in the capital of EoCell Limited to a joint venture investor with a minimal amount of consideration. Following the dilution, DGI continued to control EoCell Limited, retaining 93% of the ownership interests. The transaction had been accounted for as an equity transaction with non-controlling interests, resulting in:

	<b>2016</b> S\$'000
Proceeds from the issuance of new shares in EoCell Limited	–
Net assets attributable to NCI	102
Increase in equity attributable to parent	<u>102</u>
Represented by:	
Capital reserves	102
Increase in equity attributable to parent entity	<u>102</u>

## **8. INVESTMENT IN ASSOCIATES**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b> S\$'000	<b>2016</b> S\$'000	<b>2017</b> S\$'000	<b>2016</b> S\$'000
Advanced Systems Automation Limited (Note 7(i))	4,807	–	5,801	–
Market value of quoted shares at 31 December	5,801	–	5,801	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Group has the following significant investments:

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2017 %	2016 %
<b><i>Held by the Company</i></b>			
(1) Advanced Systems Automation Limited (Singapore)	Investment holding	37	—*
<b><i>Held by Advanced Systems Automation Limited</i></b>			
(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(i).

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: -

<b><i>Company</i></b>	<b><i>Auditors</i></b>
Dragon Microfits Sdn. Bhd.	KCK Associates, Malaysia
ASA Multiplate (M) Sdn. Bhd.	CHI-LLTC, Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

## Summarised balance sheet

	2017 S\$'000
Current assets	18,625
Non-current assets	2,131
Total assets	<u>20,756</u>
Current liabilities	15,911
Total liabilities	<u>15,911</u>
Net assets	4,845
Proportion of the Group's ownership	<u>37%</u>
Group's share of net assets	1,793
Goodwill	<u>3,014</u>
Carrying amount of the investment	<u>4,807</u>

## Summarised statement of comprehensive income

	2017 S\$'000
Revenue	31,267
Profit after tax from continuing operations	(5,610)
Other comprehensive income	(121)
Total comprehensive income for the year	<u>(5,731)</u>

## 9. INVESTMENT SECURITIES

	Group	
	2017 S\$'000	2016 S\$'000
Available-for-sale financial assets:		
- Quoted equity shares in corporations, at fair value (Note 43(b)(ii))	–	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
At 31 December	<u>3,518</u>	<u>3,039</u>

### Impairment losses

In 2016, the Group recognised an impairment loss of S\$74,000 on quoted equity shares as there was a “prolonged” decline in the fair value of the investment below their cost. The Group treats “prolonged” as greater than 6 months. Impairment losses of S\$919,000 and S\$691,000 were recognised on the unquoted equity interests in Heat Tech Japan Co. Ltd and Nanofuel Ltd after impairment assessments were carried out on these investments.

These impairment losses were recognised in the “Other expenses, net” line item of the consolidated income statement for the financial year ended 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 10. INVENTORIES

	Group	
	2017	2016
	S\$'000	S\$'000
<u>Balance sheet:</u>		
Raw materials	4,111	4,611
Work-in-progress	18,811	22,858
Goods-in-transit	700	100
Finished goods	5,731	5,098
	<u>29,353</u>	<u>32,667</u>
Allowance for stock obsolescence	(5,285)	(7,693)
	<u>24,068</u>	<u>24,974</u>
<u>Income statement:</u>		
Inventories recognised as an expense in cost of sales	55,622	73,948
inclusive of the following charge:		
- Allowance for obsolete and slow-moving inventories	242	784
	<u>242</u>	<u>784</u>

## 11. PREPAYMENTS AND ADVANCES

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Prepayments (Note (i))	941	1,958	92	138
Advances	171	601	–	–
	<u>1,112</u>	<u>2,559</u>	<u>92</u>	<u>138</u>
<b>Disclosure in balances sheets</b>				
Current	1,112	1,606	92	138
Non-current	–	953	–	–
	<u>1,112</u>	<u>2,559</u>	<u>92</u>	<u>138</u>

- (i) In 2016, 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. During the year 2017, the Group made an impairment loss amounting to S\$1,155,000 (2016: 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	
	2017	2016
	S\$'000	S\$'000
Non-interest bearing	1,052	968
Interest bearing	7,132	10,247
	<u>8,184</u>	<u>11,215</u>
<b>Disclosure in balances sheets</b>		
Current	8,184	8,372
Non-current	–	2,843
	<u>8,184</u>	<u>11,215</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Amounts due from subsidiaries are stated after an allowance for uncollectible amounts of S\$49,947,000 (2016: S\$49,568,000).

	Company	
	2017	2016
	S\$'000	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

The non-interest bearing receivables are non-trade in nature, unsecured, repayable on demand and to be settled in cash.

The interest bearing receivables are non-trade in nature, unsecured, bear interest ranging from 1.00% to 4.13% (2016: 1.00% to 4.32%) per annum, repriced on quarterly basis, are repayable on demand and to be settled in cash, except for S\$3,777,000 (2016: 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.

Included in amounts due from subsidiaries are amounts of S\$4,072,000 (2016: S\$1,187,000) denominated in US dollars.

### 13. AMOUNTS DUE FROM ASSOCIATES

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

Amounts due from associates are stated after an allowance for uncollectible amounts of S\$4,824,000 (2016: S\$Nil).

	Group	
	2017	2016
	S\$'000	S\$'000
Movement in allowance for uncollectible amounts		
At 1 January	–	–
Charge for the year	4,824	–
At 31 December	4,824	–

### 14. TRADE RECEIVABLES

	Group	
	2017	2016
	S\$'000	S\$'000
Trade receivables – third parties	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.

At the end of the reporting period, trade receivables arising from export sales amounting to \$3,571,000 (2016: \$825,000) are arranged to be settled via letters of credit issued by reputable banks in countries where customers are based.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### Receivables that are past due but not impaired

The Group has trade receivables amounting to S\$12,626,000 (2016: S\$14,118,000) 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:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	S\$'000	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:

	<b>Group</b>	
	<b>Individually impaired</b>	<b>Individually impaired</b>
	<b>2017</b>	<b>2016</b>
	S\$'000	S\$'000
Trade receivables - nominal amounts	2,834	3,047
Less: Allowance for impairment	(2,810)	(3,043)
	24	4

	<b>Group</b>	
	<b>Individually impaired</b>	<b>Individually impaired</b>
	<b>2017</b>	<b>2016</b>
	S\$'000	S\$'000
Movement in allowance accounts		
At 1 January	3,043	1,076
Charge for the year	48	2,643
Utilised	–	(785)
Written off	(10)	–
Disposal of subsidiaries	(20)	–
Currency realignment	(251)	109
At 31 December	2,810	3,043

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.

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	S\$'000	S\$'000
US dollars	16,647	18,821
Philippines peso	2,930	715
Others	313	522
	19,890	20,058

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 15. OTHER RECEIVABLES

	Group	
	2017	2016
	S\$'000	S\$'000
Tax recoverable	61	166
Deposits	1,325	1,729
Sundry debtors (Note (i))	4,282	5,018
	<u>5,668</u>	<u>6,913</u>
Allowance for other receivables	(2,829)	(2,797)
	<u>2,839</u>	<u>4,116</u>
<b>Disclosure in balances sheets</b>		
Current	2,839	3,687
Non-current	–	429
	<u>2,839</u>	<u>4,116</u>
<b>Movement in allowance accounts</b>		
At 1 January	2,797	2,531
Charge for the year	92	467
Written-back	–	(286)
Disposal of subsidiaries	(65)	–
Currency realignment	5	85
At 31 December	<u>2,829</u>	<u>2,797</u>

- (i) In 2016, the sundry debtors included a receivable amounting to S\$429,000 which will not be received within the next twelve months from the balance sheet date and had been classified as part of the non-current assets.

### Receivables that are impaired

At the end of the reporting period, the Group had provided an allowance for impairment of S\$92,000 (2016: S\$467,000). These impairment losses are recognised in the “Administrative expenses” and “Other expenses, net” line item of the consolidated income statement for the financial year ended 31 December 2017 and 31 December 2016 respectively.

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

	Group	
	2017	2016
	S\$'000	S\$'000
Philippines peso	731	783
Thailand baht	93	156
	<u>824</u>	<u>939</u>

## 16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash on hand and at bank	25,308	37,084	1,485	1,402
Short-term deposits	4,308	2,090	–	–
	<u>29,616</u>	<u>39,174</u>	<u>1,485</u>	<u>1,402</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits of the Group with financial institutions mature on varying periods within 1 month (2016: 6 months) from the financial year end. Interest rates as at 31 December 2017 for the Group range from 0.06% to 0.11% (2016: 0.60% to 0.88%) per annum, respectively, which are also the effective interest rates.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
US dollars	13,464	9,047	1,136	695
Philippines peso	555	797	–	–
Others	1,447	846	–	–

### 17. PROVISIONS

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.

	Group	
	2017 S\$'000	2016 S\$'000
At 1 January	526	467
Charge for the year	198	321
Utilised	(277)	(262)
Disposal of subsidiaries	(38)	–
At 31 December	409	526

### 18. LOANS AND BORROWINGS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Loan - Unsecured	27,222	26,735	5,000	5,000
Less : Non-current portion - Unsecured loan	(2,061)	(3,426)	–	–
Current portion – unsecured loan	25,161	23,309	5,000	5,000

#### Loan - Unsecured

- An unsecured floating rate revolving bank loan, amounting to S\$5,000,000 (2016: 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% (2016: 3.38% to 3.94%) per annum which is also the effective interest rate. This loan is repayable on demand.
- An unsecured floating rate revolving bank loan, amounting to S\$373,000 (2016: S\$2,896,000) 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% (2016: 2.47% to 2.56%) per annum which was also the effective interest rate. This loan is repayable in January 2018.
- An unsecured floating rate term bank loan, amounting to S\$1,949,000 (2016: S\$2,635,000) 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 over four equal instalments of \$183,000 in January 2018, April 2018, July 2018 and October 2018, and a final instalment of S\$1,217,000 in January 2019.
- Unsecured floating rate bank borrowings of the subsidiaries bear effective interest rates ranging from 2.32% to 7.25% (2016: 2.79% to 7.25%) per annum. These bank borrowings comprise S\$19,900,000 (2016: S\$16,204,000) which are repayable ranging from 90 days to 180 days.

The aggregate balance of bank borrowings that are denominated in US dollars is S\$16,302,000 (2016: S\$16,431,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	2016	Cash flow	Non-cash changes		2017
			Foreign exchange movement	Other	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Loans					
- current	23,309	955	–	897	25,161
- non-current	3,426	–	(468)	(897)	2,061
	<u>26,735</u>	<u>955</u>	<u>(468)</u>	<u>–</u>	<u>27,222</u>

The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

### 19. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables – third parties	13,434	17,814	151	212
Accruals	13,859	12,166	1,664	1,074
	<u>27,293</u>	<u>29,980</u>	<u>1,815</u>	<u>1,286</u>

The amounts are non-interest bearing. Trade payables are normally settled on 60-days terms, while accruals have an average term of six months.

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

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
US dollars	3,109	2,057	10	7
Philippines peso	2,698	1,574	–	–
Sterling pound	272	272	–	–
Thailand baht	368	476	–	–
Others	670	417	–	–

### 20. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Current portion of lease creditors (Note 23)	506	583	–	–
Proposed Directors' fees	234	211	234	211
Proposed Directors' fees of subsidiaries	290	310	–	–
Payable arising from purchase of property, plant and equipment	4,921	1,828	–	–
Advances received from customers (Note (i))	728	829	–	–
Foreign exchange forward contracts (Note (ii))	–	68	–	68
Advances for capital injection from non-controlling interest	2,422	2,046	–	–
Other borrowings (Note (iii))	–	1,081	–	–
Others	162	157	–	–
	<u>9,263</u>	<u>7,113</u>	<u>234</u>	<u>279</u>

(i) The advances received from customers relate to the amounts received for sales orders.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

- (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 year end 2016, the forward contracts mature at various dates till 30 June 2017. Information on foreign currency risk is disclosed in Note 42(iv).
- (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.

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

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
US dollars	1,139	2,304	–	68
Philippines peso	801	593	–	–

### 21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are non-trade in nature, unsecured, bear interest ranging from 0.5% to 3.96% (2016: 0.5% to 5.06%) per annum, to be settled in cash and are repayable on demand except for an amount of S\$44,718,000 (2016: S\$34,901,000) which is not expected to be settled within the next twelve months from balance sheet date. The amounts due to subsidiaries that are denominated in US dollars totalled S\$345,000 (2016: S\$17,817,000).

### 22. AMOUNTS DUE TO ASSOCIATES

The 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	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Future payments payable for finance leases				
Within one year	617	590	506	583
Within two to five years	1,461	231	1,311	191
After five years	14	–	14	–
	<u>2,092</u>	<u>821</u>	<u>1,831</u>	<u>774</u>
Finance charges allocated to future periods	(261)	(47)	–	–
	<u>1,831</u>	<u>774</u>	<u>1,831</u>	<u>774</u>
Current portion (included in other payables - Note 20)			506	583
Non-current portion			1,325	191
			<u>1,831</u>	<u>774</u>

Finance leases bear interest ranging from 5.32% to 11.43% (2016: 0.86% to 14.0%) per annum, which are also the effective interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

The 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.

Included in lease creditors of the Group are amounts of S\$189,000 (2016: S\$456,000), S\$5,000 (2016: S\$18,000) and S\$1,507,000 (2016: S\$78,000) denominated in US dollars, Malaysia ringgit and Philippines peso respectively.

### 24. LONG TERM PAYABLES

Long term payables are non-trade in nature, bear interest at 8% (2016: 8%) per annum, to be settled in cash and are not expected to be repaid within the next 12 months.

### 25. INCOME TAX EXPENSE

	Group	
	2017	2016
	S\$'000	S\$'000
Income tax payable in respect of results for the year:		
Current income tax		
- Singapore	58	(545)
- Others	(1,510)	(872)
Deferred income tax	33	65
	(1,419)	(1,352)
Over/(under) provision in respect of prior years:		
Current income tax	76	1,361
Deferred income tax	(36)	29
	40	1,390
Withholding tax on payments to non-residents	(8)	(75)
Income tax expense recognised in profit or loss	(1,387)	(37)

A reconciliation between tax expense and the product of accounting losses multiplied by the applicable corporate tax rate for the year ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Loss before tax	(13,216)	(7,326)
Tax calculated at a tax rate of 17% (2016: 17%)	2,247	1,245
Adjustments:		
Tax effects of the following reconciliation items:		
Differential tax rate of overseas subsidiaries	62	615
Expenses not deductible for tax purposes	(4,751)	(4,308)
Income not subject to tax	664	1,668
Tax incentives/exemption <sup>(1)</sup>	1,231	1,731
Deferred tax assets not recognised	(1,416)	(2,371)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	544	68
Withholding tax on payments to non-residents	(8)	(75)
Overprovision in respect of prior years	40	1,390
Income tax expense	(1,387)	(37)

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## Deferred tax liabilities/assets

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Deferred tax liabilities arise as a result of:				
- Differences in depreciation	154	143	-	-
- Others	11	-	-	-
	<u>165</u>	<u>143</u>	<u>-</u>	<u>-</u>
Deferred tax assets arise as a result of:				
- Differences in depreciation	-	58	-	-
- Others	103	123	-	-
	<u>103</u>	<u>181</u>	<u>-</u>	<u>-</u>

Certain subsidiaries had estimated unutilised tax losses and unabsorbed capital allowances amounting to approximately S\$69,174,000 (2016: S\$113,956,000) and S\$3,524,000 (2016: S\$6,372,000) 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 (2016: S\$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries of S\$29,322,000 (2016: S\$25,082,000) 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\$6,507,000 (2016: S\$11,148,000). 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

	Group	
	2017 S\$'000	2016 S\$'000
Revenue is analysed as follows:		
Sales of equipment and related products	73,309	96,158
Provision of services	47,921	40,780
Distribution sales	2,675	4,945
	<u>123,905</u>	<u>141,883</u>

## 27. OTHER INCOME

	Group	
	2017 S\$'000	2016 S\$'000
Rental income	466	362
Provision of other services/commission income	318	-
Government incentives and grant income	161	358
Disposal of assets	66	-
Others	34	55
	<u>1,045</u>	<u>775</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 28. OTHER EXPENSES, NET

	Group	
	2017	2016
	S\$'000	S\$'000
Impairment losses on intellectual property (Note 4)	–	(492)
Impairment losses on club memberships (Note 4)	(8)	(53)
Impairment loss on property, plant and equipment (Note 5)	(3,635)	(1,509)
Impairment losses on investment securities (Note 9)	–	(1,684)
Impairment losses on long term prepayment (Note 11)	(1,155)	–
Impairment losses on other receivables (Note 15)	–	(467)
Property, plant and equipment written off (Note 5)	(43)	(8)
Loss on disposal of club membership	73	(1)
Gain on disposal of property, plant and equipment	197	1,244
Gain on disposal of subsidiaries (Note 7(i))	2,945	–
Allowance on amounts due from associates	(4,824)	–
Net fair value gain/(loss) on derivative financial instruments	68	(68)
Foreign currency exchange (loss)/gain	(2,981)	760
	<u>(9,363)</u>	<u>(2,278)</u>

### 29. FINANCE COSTS, NET

	Group	
	2017	2016
	S\$'000	S\$'000
Interest income in respect of:		
- short-term deposits/current accounts	49	63
- amounts owing from other debtors	27	27
- amounts owing from associates	76	39
Interest expense in respect of:		
- finance leases	(58)	(84)
- bank loans and trade financing	(871)	(993)
- other borrowings	(168)	(51)
Bank charges	(302)	(310)
	<u>(1,247)</u>	<u>(1,309)</u>

### 30. LOSS BEFORE TAX

	Group	
	2017	2016
	S\$'000	S\$'000
Loss before tax is stated after (charging)/crediting:		
Depreciation of property, plant and equipment	(5,296)	(5,823)
Depreciation of investment properties	(17)	(4)
Amortisation of intangible assets	–	(113)
Allowance for obsolete and slow-moving inventories	(242)	(784)
Allowance on trade receivables	(48)	(2,643)
Allowance/(write back of allowance) on other receivables	(92)	286
Staff costs		
- salaries, wages, bonuses and others	(44,010)	(44,165)
- defined contribution plans	(3,056)	(3,838)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 31. (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit after income tax and attributable to owners of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year.

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

	Group	
	2017	2016
	S\$'000	S\$'000
Net (loss)/profit attributable to owners of the Company used in computation of basic and diluted (loss)/earnings per share	(4,397)	1,038
	<hr/>	<hr/>
	Group	
	2017	2016
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic and diluted (loss)/earnings per share	654,731	654,731
	<hr/>	<hr/>

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no outstanding convertible securities for both the financial years ended 31 December 2017 and 31 December 2016.

### 32. SHARE CAPITAL

	Group and Company	
	2017	2016
	S\$'000	S\$'000
<b>Issued and fully paid ordinary shares:-</b>		
Balance at 1 January and 31 December		
681,966,341 (2016: 681,966,341) ordinary shares	132,617	132,617
	<hr/>	<hr/>

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

### 33. TREASURY SHARES

	Group and Company	
	2017	2016
	S\$'000	S\$'000
Balance at 1 January and 31 December		
27,234,855 (2016: 27,234,855) treasury shares	(4,772)	(4,772)
	<hr/>	<hr/>

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 2017

## 35. CAPITAL RESERVES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 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 interests 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 and 31 December	(165)	(165)	–	–
(e) <u>Realisation of reserves on disposal of subsidiaries</u>				
Balance at 1 January	–	–	–	–
Disposal of subsidiaries	(155)	–	–	–
Balance at 31 December	(155)	–	–	–
Total balance at 31 December	(8,091)	(7,936)	(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.

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 intangibles.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	BEST		Distribution and Services		Adjustments and elimination <sup>(1)</sup>		Consolidated	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Revenue</b>	121,230	136,938	2,675	4,945	–	–	123,905	141,883
<b>Segment results</b>	(3,233)	1,961	(11,296)	(9,324)	(74)	–	(14,603)	(7,363)
EBITDA <sup>#</sup>	4,027	10,777	(6,113)	(7,426)	(74)	–	(2,160)	3,351
Interest income	162	40	42	134	(52)	(45)	152	129
Interest expense	(1,111)	(1,173)	(38)	–	52	45	(1,097)	(1,128)
Depreciation	(5,000)	(5,584)	(313)	(243)	–	–	(5,313)	(5,827)
Amortisation	–	(109)	–	(4)	–	–	–	(113)
Impairment loss on property, plant and equipment	–	(1,509)	(3,635)	–	–	–	(3,635)	(1,509)
Impairment loss on club memberships	–	(18)	(8)	(35)	–	–	(8)	(53)
Impairment loss on intellectual property	–	(492)	–	–	–	–	–	(492)
Impairment loss on investment securities	–	–	–	(1,684)	–	–	–	(1,684)
Impairment loss on long term prepayment	–	–	(1,155)	–	–	–	(1,155)	–
(Loss)/profit before income tax	(1,922)	1,932	(11,220)	(9,258)	(74)	–	(13,216)	(7,326)
Income tax (expense)/credit	(1,311)	29	(76)	(66)	–	–	(1,387)	(37)
(Loss)/profit for the year	(3,233)	1,961	(11,296)	(9,324)	(74)	–	(14,603)	(7,363)
<u>Other segment information:</u>								
Share of results of associates, net of tax	(1,042)	–	(7)	(7)	–	–	(1,049)	(7)
Other non-cash expenses <sup>##</sup>	1,335	151	(413)	2,745	–	–	922	2,896
<b>Segment assets</b>	115,244	117,553	8,209	13,306	(4,577)	(1,689)	118,876	129,170
<b>Segment liabilities</b>	61,714	64,643	11,123	3,948	(4,577)	(1,689)	68,260	66,902
<u>Other segment information:</u>								
Additions to non-current assets <sup>###</sup>	10,272	6,711	3,412	5,554	–	–	13,684	12,265

(1) Inter-segment transactions are eliminated on consolidation.

# EBITDA: Earnings before interest expense, interest income, tax, depreciation, amortization and impairment losses.

## Other non-cash expenses comprise inventories written off, inventories written down, allowance of trade receivables, trade receivables written off, allowance of non-trade receivables and unrealised foreign currency exchange.

### Additions to non-current assets comprise additions to intangible assets and property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### Geographical information

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

	Revenue	
	2017	2016
	S\$'000	S\$'000
China	38,107	34,713
Singapore	8,239	18,745
Malaysia	13,758	13,632
Philippines	32,778	26,707
Taiwan	9,655	10,768
Korea	9,558	23,215
United Kingdom	3,337	3,811
Europe	6,205	4,495
Others	2,268	5,797
	<u>123,905</u>	<u>141,883</u>

	Non-current assets	
	2017	2016
	S\$'000	S\$'000
China	314	3,519
Singapore	953	1,109
Malaysia	791	1,892
Philippines	16,927	12,654
United States	5,069	3,534
United Kingdom	734	572
Hong Kong	–	4
Others	302	318
	<u>25,090</u>	<u>23,602</u>

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 a major customer

Revenue from one major customer amounted to S\$14,537,000 (2016: S\$18,401,000), arising from sales by the BEST segment.

Revenue from one major customer amounted to S\$623,000 (2016: S\$2,521,000), arising from sales by the Distribution and Services segment.

## 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	
	2017	2016
	S\$'000	S\$'000
Within one year	2,719	2,677
Within two to five years	6,494	3,883
Over five years	–	–
	<u>9,213</u>	<u>6,560</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Rental expense (principally for premises, machinery and equipment) was S\$3,318,000 and S\$4,236,000 for the years ended 31 December 2017 and 2016 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 (2016: 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	
	2017 S\$'000	2016 S\$'000
Within one year	373	481
Within two to five years	83	332
	456	813

Rental income relating to the above leasing arrangements was S\$459,000 and S\$326,000 for the years ended 31 December 2017 and 2016 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.

## 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 associates for twelve months from the date of issuance of the financial statements.

### (b) Guarantees

The Company has provided corporate guarantees amounting to S\$19,826,000 (2016: S\$16,495,000) to secure banking facilities for its subsidiaries.

## 40. AUDIT AND NON-AUDIT FEES PAID TO AUDITORS

	Group	
	2017 S\$'000	2016 S\$'000
Audit fees paid to auditors of the Company	315	421
Audit fees paid to other auditors	126	171
Non-audit fees paid to auditors of the Company	50	67
Non-audit fees paid to other auditors	12	34

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	S\$'000	S\$'000
<b>Directors :</b>		
Proposed directors' fees of the Company	234	211
Proposed directors' fees of listed subsidiaries	182	310
Directors' remuneration	2,064	3,080
Defined contribution plans	15	17
<b>Key executive officers :</b>		
Key executive officers' remuneration (excluding Directors' remuneration)		
- Short-term employee benefits	3,484	4,208
- Defined contribution plans	155	199
<b>Related party :</b>		
Sales of goods	–	2,521
Purchases of goods	417	–
Corporate cost recovery	300	–
Interest income	76	39

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

## 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.

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

### (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 exposure to credit risk arises primarily from trade receivables. For other financial assets (including 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 minimise losses incurred due to increased credit risk exposure. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. Cash terms, advance payments, or letters of credit are required for customers of lower credit standing.

#### 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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 2017, approximately 47% (2016: 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

2017	1 year or less S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
<b>Group</b>				
<b>Financial assets</b>				
Amounts due from associates	14	–	–	14
Trade receivables	31,203	–	–	31,203
Other receivables	2,778	–	–	2,778
Cash and cash equivalents	29,616	–	–	29,616
Total undiscounted financial assets	63,611	–	–	63,611
<b>Financial liabilities</b>				
Trade payables and accruals	27,293	–	–	27,293
Other payables	5,607	–	–	5,607
Amounts 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
<i>Total net undiscounted financial assets/(liabilities)</i>	4,194	(3,663)	(1,124)	(593)
<b>2017</b>				
<b>Company</b>				
<b>Financial assets</b>				
Amounts due from subsidiaries	8,378	–	–	8,378
Cash and cash equivalents	1,402	–	–	1,402
Total undiscounted financial assets	9,780	–	–	9,780
<b>Financial liabilities</b>				
Trade payables and accruals	1,815	–	–	1,815
Other payables	234	–	–	234
Loans and borrowings	5,041	–	–	5,041
Amounts due to subsidiaries	315	44,793	–	45,108
Total undiscounted financial liabilities	7,405	44,793	–	52,198
<i>Total net undiscounted financial assets/(liabilities)</i>	2,375	(44,793)	–	(42,418)
<b>2016</b>				
<b>Group</b>				
<b>Financial assets</b>				
Trade receivables	34,542	–	–	34,542
Other receivables	3,521	–	–	3,521
Cash and cash equivalents	39,174	–	–	39,174
Total undiscounted financial assets	77,237	–	–	77,237
<b>Financial liabilities</b>				
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
<i>Total net undiscounted financial assets/(liabilities)</i>	19,486	(3,911)	(1,201)	14,374

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2016	1 year or less S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
<b>Company</b>				
<b>Financial assets</b>				
Amounts due from subsidiaries	8,613	2,954	–	11,567
Cash and cash equivalents	1,402	–	–	1,402
Total undiscounted financial assets	<u>10,015</u>	<u>2,954</u>	<u>–</u>	<u>12,969</u>
<b>Financial liabilities</b>				
Trade payables and accruals	1,286	–	–	1,286
Other payables	211	–	–	211
Loans and borrowings	5,037	–	–	5,037
Amounts due to subsidiaries	1,793	35,474	–	37,267
Total undiscounted financial liabilities	<u>8,327</u>	<u>35,474</u>	<u>–</u>	<u>43,801</u>
<i>Total net undiscounted financial assets/(liabilities)</i>	<u>1,688</u>	<u>(32,520)</u>	<u>–</u>	<u>(30,832)</u>

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.

2017	1 year or less S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
<b>Company</b>				
Financial guarantees	17,995	1,831	–	19,826
<b>2016</b>				
<b>Company</b>				
Financial guarantees	13,700	2,795	–	16,495

### (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 (2016: 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 (2016: 75) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been S\$170,000 lower/higher (2016: S\$201,000 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 58% (2016: 62%) of the Group's sales is denominated in currencies other than its operating entities' respective functional currencies.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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\$15,466,000 and S\$1,136,000 (2016: S\$10,690,000 and S\$695,000) 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% (2016: 5%) against SGD with all other variables held constant, the Group's loss before tax would have been S\$1,284,000 lower/higher (2016: S\$1,178,000 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% (2016: 6%) higher/lower with all other variables held constant, there would have been no significant impact on the financial statements of the Group.

## 43. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Loans and receivables</b>					
Amounts due from subsidiaries	12	–	–	8,184	11,215
Amounts due from associates	13	14	–	–	–
Trade receivables	14	31,203	34,542	–	–
Other receivables	15	2,778	3,950	–	–
Cash and cash equivalents	16	29,616	39,174	1,485	1,402
		<b>63,611</b>	<b>77,666</b>	<b>9,669</b>	<b>12,617</b>
<b>Available-for-sale financial assets</b>					
Investment securities	9	24	22	–	–
<b>Financial liabilities measured at amortised cost</b>					
Trade payables and accruals	19	27,293	29,980	1,815	1,286
Other payables	20	6,113	4,170	234	211
Long term lease creditors	23	1,325	191	–	–
Long term payables	24	1,028	1,112	–	–
Loans and borrowings	18	27,222	26,735	5,000	5,000
Amounts due to subsidiaries	21	–	–	45,033	36,668
Amounts due to associates	22	535	–	–	–
		<b>63,516</b>	<b>62,188</b>	<b>52,082</b>	<b>43,165</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Foreign exchange forward contracts	20	–	68	–	68



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## (b) Fair value of assets and liabilities

### (i) Fair value hierarchy

The Group categorises 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 2017 and 2016.

### (ii) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period. There were no assets or liabilities measured at fair value in 2017.

	<b>Group 2016 S\$'000</b>			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Fair value measurements</b>				
<b>Financial assets:</b>				
Available-for-sale financial assets (Note 9)				
- Equity instruments (quoted)	22	–	–	22
At 31 December 2016	22	–	–	22
<b>Financial liabilities:</b>				
Derivatives				
- Foreign exchange forward contracts (Note 20(ii))	–	68	–	68
At 31 December 2016	–	68	–	68

### (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:

#### *Derivatives (Note 20(ii))*

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 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 FRS 113 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 S\$'000			
	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
<b>2017</b>				
<b>Assets</b>				
Investment properties	828	–	828	338
<b>Liabilities</b>				
Lease creditors				
- Obligations under finance leases	–	1,864	1,864	1,831

	Group S\$'000			
	Fair value measurements at the end of the reporting period using			
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value	Carrying amount
<b>2016</b>				
<b>Assets</b>				
Investment properties	818	–	818	350
<b>Liabilities</b>				
Lease creditors				
- Obligations under finance leases	–	728	728	774

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Company S\$'000			Carrying amount
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Total	
<b>2017</b>				
<b>Assets</b>				
Investment in subsidiaries:				
- Quoted shares	4,848	–	4,848	4,848
Investment in associates:				
- Quoted shares	5,801	–	5,801	5,801
<b>2016</b>				
<b>Assets</b>				
Investment in subsidiaries:				
- Quoted shares	4,896	–	4,896	4,896
Investment in associates:				
- Quoted shares	–	–	–	–

## 44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash and bank balances in order to support its business activities and repayment of loan and borrowings. The Group monitors its monthly cash flows and also 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 issue new shares. No changes were made in objectives, policies and processes during the years ended 31 December 2017 and 31 December 2016.

	Group	
	2017 S\$'000	2016 S\$'000
Loans and borrowings (Note 18)	27,222	26,735
Trade payables (Note 19)	13,434	17,814
Other payables (Note 20)	9,263	7,113
Less: Cash and short-term deposits	(29,616)	(39,174)
Net debt	20,303	12,488
Equity attributable to owners of the Company	58,569	62,823
Less: Fair value reserve	(2)	–
Total capital	58,567	62,823
Capital and net debt	78,870	75,311
Gearing ratio	26%	17%

## 45. ACCUMULATED LOSSES

	Company	
	2017 S\$'000	2016 S\$'000
Balance at 1 January	(134,911)	(123,623)
Loss for the year	(9,003)	(11,288)
Balance at 31 December	(143,914)	(134,911)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 46. DIVIDENDS

The directors do not recommend any dividend in respect of the financial year ended 31 December 2017. No dividend has been paid or declared since the end of the previous financial year.

### 47. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (1) On 10 August 2017, a subsidiary of the Company, Dragon Group International Limited (“DGI”), announced that its 93%-held subsidiary, EoCell Ltd, had entered into share subscription agreements with Zhuhai Yinlong Energy Co., Ltd (“Yinlong”), a company incorporated in the People’s Republic of China, and Sputnik Energy Limited, the current minority shareholder. Yinlong has committed to invest US\$20m for a 40% share of EoCell Limited (holding company of EoCell Inc), due to the Li-Ion cell technology of EoCell Inc. The transaction is expected to be completed by April 2018.

Upon completion, DGI’s interest in EoCell would be diluted from 93% to 40% and EoCell will cease to be a subsidiary of DGI.

- (2) On 2 April 2018, the Company announced that it had entered into a Sale and Purchase Agreement with Shanghai Pudong Science and Technology Investment Co., Ltd (“PDSTI”), a Shanghai-based investment company specializing in domestic and oversea investments in high-tech industries. Subject to the fulfilment of certain conditions, PDSTI committed to acquire the entire issued and paid-up share capital of several wholly-owned subsidiaries of ASTI. These subsidiaries include Semiconductor Technologies & Instruments Pte Ltd, Semiconductor Technologies & Instruments Sdn Bhd, Semiconductor Technologies & Instruments Phils., Inc., Semiconductor Technologies & Instruments (Taiwan), Inc., and STI Tech Korea Co., Ltd (“STI Group”). The total consideration of the acquisition will be S\$90,000,000, with S\$38,000,000 dividends to be declared to ASTI.

Upon completion, the STI Group will cease to be subsidiaries of the Company.

# APPENDIX 3

ASTI HOLDINGS LIMITED | ANNUAL REPORT 2017

## STATISTICS OF SHAREHOLDINGS



# STATISTICS OF SHAREHOLDINGS

As at 22 March 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	23	0.52	358	0.00
100 - 1000	518	11.71	477,456	0.07
1,001 - 10,000	1,568	35.43	8,597,952	1.31
10,001 - 1,000,000	2,264	51.16	202,039,905	30.86
1,000,001 and above	52	1.18	443,615,815	67.76
<b>Total</b>	<b>4,425</b>	<b>100.00</b>	<b>654,731,486</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

S/No	Name	No. of Shares	%
1.	LOH SOON GNEE	130,209,600	19.89
2.	SOH POCK KHENG	56,397,000	8.61
3.	DBS NOMINEES (PRIVATE) LIMITED	44,365,013	6.78
4.	DB NOMINEES (SINGAPORE) PTE LTD	41,484,000	6.34
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	23,956,000	3.66
6.	NG YEW NAM	13,302,000	2.03
7.	OCBC SECURITIES PRIVATE LIMITED	10,716,300	1.64
8.	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,884,800	1.51
9.	UOB KAY HIAN PRIVATE LIMITED	8,758,800	1.34
10.	HL BANK NOMINEES (SINGAPORE) PTE LTD	8,400,000	1.28
11.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,264,400	0.96
12.	KOH CHOH MEIN (XU ZUOMIN)	6,000,000	0.92
13.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,387,611	0.82
14.	TAN NGOK PENG	4,595,000	0.70
15.	LIM & TAN SECURITIES PTE LTD	4,216,000	0.64
16.	PHILLIP SECURITIES PTE LTD	3,906,380	0.60
17.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,839,340	0.59
18.	CHIN KIAM HSUNG	3,749,900	0.57
19.	RAFFLES NOMINEES (PTE) LIMITED	3,545,500	0.54
20.	TANG CHENG LIM	3,102,600	0.47
	<b>Total</b>	<b>392,080,244</b>	<b>59.89</b>

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

	Direct Interest	%*	Deemed Interest	%*	Total %*
Michael Loh Soon Gnee	130,209,600	19.89	-	-	19.89
Heah Theare Haw <sup>1</sup>	-	-	41,484,000	6.34	6.34
Soh Pock Kheng <sup>2</sup>	56,397,000	8.61	28,596,000	4.37	12.98

## PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC ('PUBLIC FLOAT')<sup>#</sup> IS 60.75% OF ISSUED SHARE CAPITAL OF THE COMPANY

<sup>1</sup> Deemed interested in 41,484,000 shares held by nominees.

<sup>2</sup> Deemed interested in 28,596,000 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.

<sup>#</sup> 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 2017

## **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 Monday, 30 April 2018 at 3.30 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 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Regulation 103 of the Constitution of the Company:  

Mr. Timothy Lim Boon Liat	(Retiring under Regulation 103)	<b>(Resolution 2)</b>
Mr. Mandie Chong Man Sui	(Retiring under Regulation 103)	<b>(Resolution 3)</b>

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$234,000 for the year ended 31 December 2017 (2016: S\$210,727). **(Resolution 4)**
4. 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 5)**
5. 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:

#### 6. 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 (“**shares**”) 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 be limited as follows:
  - (A) by way of renounceable rights issue on a pro rata basis to shareholders of the Company (“**Renounceable Rights Issues**”) shall not exceed one hundred per centum (100%) 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 (4) below) (“**Renounceable Rights Issue Limit**”); and
  - (B) otherwise than by way of Renounceable Rights Issues (“**Other Share Issues**”) shall not exceed fifty per centum (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (4) 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 (4) below) (“**Other Share Issue Limit**”);



# NOTICE OF ANNUAL GENERAL MEETING

- (2) the Renounceable Rights Issue Limit and Other Share Issue Limit shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (4) below);
- (3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);
- (4) (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)(A) and (1)(B) above, the percentage of issued 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; and
  - (C) any subsequent bonus issue, consolidation or subdivision of shares;
- (5) 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 Constitution of the Company; and
- (6) 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 (ii)]

**(Resolution 6)**

By Order of the Board

Dayne Ho Chung Wei  
Secretary  
Singapore, 13 April 2018

## Explanatory Notes:

- (i) Mr. Timothy Lim Boon Liat will, upon re-election as a Director of the Company, be considered non-independent. Mr. Timothy Lim Boon Liat is the Group Administrative Officer and Executive Director of the Company.  
  
Mr. Mandie Chong Man Sui will, upon re-election as a Director of the Company, remain as an Independent Director and will be considered independent.
- (ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 20% may be issued other than on a pro rata basis to shareholders, provided that, the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares).

For the purpose of 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) at the time Resolution 6 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 6 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for 100% Renounceable Rights Issues (“**Enhanced Rights Issue Limit**”) is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 and which introduced measures to help companies raise funds expeditiously for expansion activities or working capital. Unless extended further by SGX-ST, the authority will expire on 31 December 2018. No shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company.

The Board of Directors of the Company is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

**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 Companies Act (Cap.50) of Singapore, 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 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

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## PROXY FORM





## ASTI HOLDINGS LIMITED

(Company Registration No. 199901514C)  
(Incorporated in the Republic of Singapore)

### 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 **Monday, 30 April 2018 at 3.30 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 and Audited Financial Statements for the year ended 31 December 2017		
2	Re-election of Mr Lim Boon Liat Timothy as a Director of the Company		
3	Re-election of Mr Mandie Chong Man Sui as a Director of the Company		
4	Approval of Directors' fees amounting to S\$234,000 (2016: S\$210,727)		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority for Directors to fix their remuneration		
6	Authority to issue shares		

Note: Voting will be conducted by poll.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total number of Shares in:	No. of Shares
(a) Depository 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 130A of the Companies Act, Chapter 50 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 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 13 April 2018.

## 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.





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Website : [www.astigp.com](http://www.astigp.com)  
(Co. Reg. No. 199901514C)