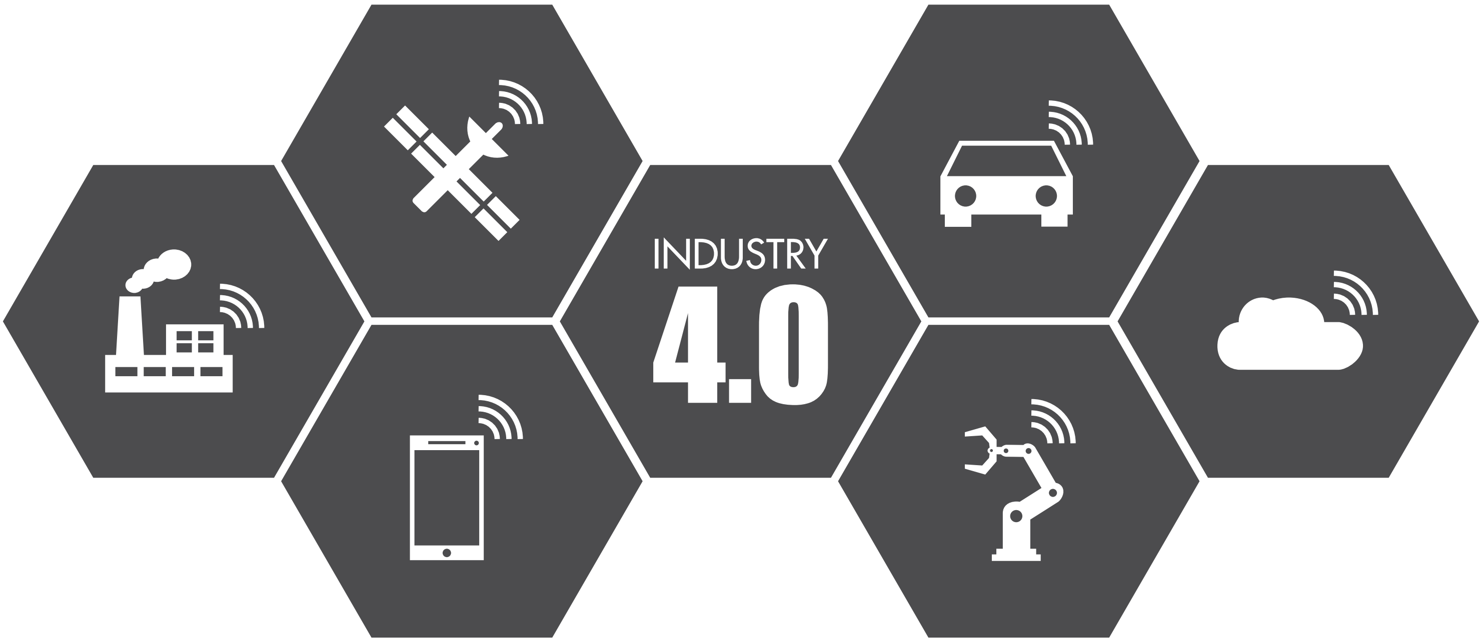
ADVANCED SYSTEMS
AUTOMATION LIMITED



CHALLENGES & CHANGES

ANNUAL REPORT 2019

Contents

About ASA

Advanced Systems Automation Limited ("ASA" or the "Company", and together with its subsidiaries, the "Group") entered the semiconductor industry in 1986. Its core business is in the manufacturing of automated equipment for the encapsulation in semiconductors. Today, ASA's encapsulation equipment are used by semiconductor assembly processes around the world.

In 1997, ASA embarked into developing the world's first total backend inline equipment solution. Thereafter, in 2000, through further developmental efforts, it successfully launched the Solder Ball placement and the Saw Singulation and Sort machines. These equipment were designed for the Ball Grid Array packages, which were then experiencing rapid growth. In 2003, a high speed Flip Chip bonder was introduced to the market and this design won the Advanced Packaging Award that year. During the financial year ending 31 December 2019 ("FY2019"), after a review of the current business conditions, the management of the Company does not intend to continue with the operations of Microfits Pte. Ltd. ("MPL") and had planned for its disposal. Consequently, MPL had been classified as discontinued operations and disposal group held for sale. More details can be found in the Audited Financial Statements for more information.

The remaining operating business segment within ASA will be the Equipment Contract Manufacturing Services ("ECMS") unit. This division manufactures electromechanical components and parts for the semiconductor and consumer electronics industries. In 2013, the Group expanded its competency and skill set in this business segment through the acquisition of ASA Multiplate (M) Sdn. Bhd. and Emerald Precision Engineering Sdn. Bhd. In 2018, the Group's acquisition of Pioneer Venture Pte Ltd, Yumei REIT Sdn. Bhd. and Yumei Technologies Sdn. Bhd. was successfully completed. This stable of companies brought with them new skill sets in die-casting and plastic injection moulding enabling the Group to offer a wider spectrum of comprehensive value propositions to a broader customer base and an expanded regional reach.

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

Letter To Shareholders and Operations Review

> *We have narrowed net loss to S$4.6m in FY2019 as compared to a net loss of $6.1 million in the financial year ended 31 December 2018 ("FY2018"). While there have been new opportunities presented to the enhanced and enlarged skill sets in the Group, the limited cash flow is a constraint.*

Dear Shareholders,

With a renewed focus on family life, my resignation as the Chief Executive Officer and Executive Chairman of Advanced Systems Automation Limited ("ASA" or the "Company", and together with its subsidiaries, the "Group") was announced on 7 April 2019, and took effect on 7 April 2020. Notwithstanding that the Company is still seeking for potential candidates, I am pleased to present to shareholders the annual report for the financial year ended 31 December 2019 ("FY2019").

Subsequent to the acquisition of Yumei Technologies Sdn. Bhd., Yumei REIT Sdn. Bhd. and Pioneer Venture Pte Ltd ("Yumei Subsidiaries") at the end of 2018, our single largest shareholder and newly appointed Chief Operating Officer Mr Seah Chong Hoe ("Mr Seah") had spent time, during

FY2019, integrating the operations of Yumei Subsidiaries into the Company and rationalizing the businesses in the Group. We have narrowed net loss to S$4.6m in FY2019 as compared to a net loss of $6.1 million in the financial year ended 31 December 2018 ("FY2018"). While there have been new opportunities presented to the enhanced and enlarged skill sets in the Group, the limited cash flow is a constraint. Mr Seah will continue to look for growth with new project opportunities while discarding laggards in our operations.

The ensuing US-China trade war, the COVID-19 pandemic and the oil price collapse have resulted in record quarterly economic contractions. While these daunting global economic calamities and uncertainties seem insurmountable, we have a team of experienced management and the Board of Directors of the Company, who will oversee the Group's operations in my absence. My new-born daughter is now over a year old, and increasingly more family time will be needed. I will work where necessary till such time when my travel load and work load do not interfere with a stable family life.

ASA OPERATIONS REVIEW

INCOME STATEMENT

With the intention to dispose of Microfits Pte Ltd ("MPL"), MPL had been classified as discontinued operations during FY2019. Accordingly, the Group's revenue for FY2019 was only attributable to the Equipment Contract Manufacturing Services ("ECMS") segment, where it recorded a revenue of S$13.7 million, an increase of 12% when compared to S$12.2 million in FY2018. This is mainly due to the contribution derived from the Yumei Subsidiaries.

Gross profit margin ("GPM") of the Group in FY2019 was 24%, which was 3 percentage points ("ppts") lower than the GPM in FY2018 of 27% mainly due to the sales mix in FY2019.

Selling and marketing ("S&M") costs incurred in FY2019 were 11% higher from S$0.8 million in FY2018 to S$0.9 million in FY2019, which were in line with the increase in sales levels in FY2019.

Research and development costs were approximately 73% lower in FY2019 due to the absence of new projects.

General and administrative ("G&A") costs in FY2019 increased by 64% as compared to the costs incurred in FY2018. The increase was due to the absence of 11 months G&A costs from the Yumei Subsidiaries and write back of allowance for trade receivables of S$0.3 million in FY2018. Included in FY2019 was also the depreciation expenses relating to right-of-use assets of S$0.4 million and corporate support services fee of S$0.4 million.

The Group recorded foreign exchange loss of S$143,000 in FY2019 compared to foreign exchange gain of S$54,000 in FY2018. This is due to the volatility of Malaysia Ringgit and US dollar against the Singapore dollar.

Finance costs incurred in FY2019 increased by 71% when compared to FY2018, mainly due to the increased borrowings from ASTI Holdings and consolidation of finance costs from the Yumei Subsidiaries.

Letter To Shareholders and Operations Review

Total depreciation expenses from continued operations increased by 160% in FY2019 compared to FY2018 mainly due to consolidation of depreciation expenses from the Yumei Subsidiaries and depreciation expenses amounted to S$0.4 million relating to right-of-use assets in the Group.

The Group incurred a loss of S$0.7 million and S$4.4 million in FY2019 and FY2018 respectively from discontinued operations.

As a result of the above, the Group reported a net loss attributable to owners of the Company of S$4.5 million in FY2019 as compared to a net loss of S$6.0 million in FY2018.

BALANCE SHEET

Property, plant and equipment ("PPE") declined by S$1.0 million, from S$6.9 million at 31 December 2018 to S$5.9 million at 31 December 2019. This was mainly due to the reclassification of S$1.1 million of PPE under hire purchase to right-of-use assets in relation to the new accounting standard of SFRS(I)16 Leases that came into effect from 1 January 2019 as well as the purchase of PPE by the Group, partially offset by depreciation and foreign currency translation during FY2019. The decrease in intangible assets from S$3.1 million at 31 December 2018 to S$2.9 million at 31 December 2019 is due to amortization of intangible assets.

Inventories decreased by S$2.6 million from S$3.7 million at 31 December 2018 to S$1.1 million at 31 December 2019, mainly due to lower work-in-progress inventories and the reclassification of MPL's inventories of S$0.8 million under "Assets held for sale".

Trade and other receivables dropped by S$0.8 million, from S$5.0 million at 31 December 2018 to S$4.2 million at 31 December 2019. The decrease was primarily due to the reclassification of MPL's receivables of S$1.3 million under "Assets held for sale".

Total trade and other payables decreased by S$1.2 million, from S$13.2 million at 31 December 2018 to S$12.0 million at 31 December 2019 and this was mainly due to the reclassification of MPL's payables of S$1.7 million under "Liabilities directly associated to assets held for sale" which were offset by loan of S$0.8 million from a related party.

Total lease liabilities increased by S$0.1 million from S$0.6 million at 31 December 2018 to S$0.7 million at 31 December 2019. This was mainly due to the adoption of the new accounting standard of SFRS(I)16 Leases that came into effect from 1 January 2019.

Total loans and borrowings of S$0.5 million at 31 December 2019, dropped by S$0.4 million or 43% from S$0.9 million at 31 December 2018 due to the repayment of loans during the year.

As at 31 December 2019, the Group reported net current liabilities of S$8.4 million and net assets of S$0.7 million.

CASHFLOW

Cash flows used in operating activities of S$0.8 million comprised of cash flows used in the Group's operations in FY2019 of S$0.4 million and net amounts paid for interests and taxes of S$0.5 million. Cash flows used in investing activities which amounted to S$0.7 million was mainly utilised for the purchase of new PPE, partially offset by proceeds from disposal of PPE. Cash flows used in financing activities amounted to S$0.5 million, mainly due to new loans of S$0.8 million from a related party and the repayment of S$1.3 million in other borrowings.

OUTLOOK

The calamitous pandemic lockdowns, travel and movement restrictions, and supply chain disruptions continue to disrupt our business operation. Bearing in mind those uncertainties that lie ahead, the Group will continue to take a prudent approach and cautious in the management of our businesses.

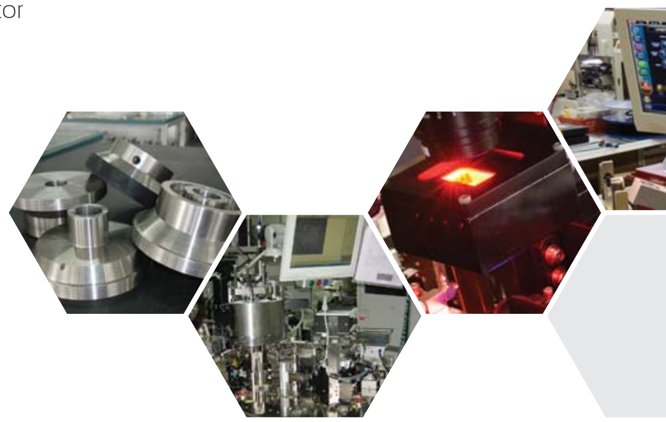
IN APPRECIATION

I would like to thank all of our customers, principals, bankers, and shareholders for their confidence and trust in us, and I look forward to your support in the new financial year and to our management succession. To our shareholders, your support has been very important to us, and our new management will continue to work and bring value to all our stakeholders.

Yours Sincerely,

DATO' MICHAEL LOH
Former Executive Chairman and
Chief Executive Officer

DATO' SRI MOHD SOPIYAN B. MOHD RASHDI
Independent Director



Board of Directors

Dato' Khor Gark Kim, 78
Lead Independent Director
Remuneration Committee Chairman

Graduate in Mathematics with a Diploma in Education, Universiti Malaya

Dato' Khor is a retired politician in Malaysia. From 1974 to 1986, he served 3 consecutive terms as an assembly man for the Tanjong Bunga constituency in Penang. Other offices that Dato' Khor held included his term as Political Secretary to the Chief Minister, Exco Member for Housing, Exco Member for Public Works and acting Chief Minister of Penang. Among his many accomplishments is the establishment of the Penang Art Centre, a centre to promote creative work and exhibition. He has also lectured and written publications on socio-political issues relating to overseas Chinese. Dato' Khor graduated from Universiti Malaya in 1965. A Mathematics graduate with a Diploma in Education, he taught Mathematics for ten years and co-authored eleven Mathematics books published by Oxford University Press.

Current Listed Companies' Directorships
- Advanced Systems Automation Limited

Past 5 Years Listed Companies' Directorships
- None

Dr. Kenneth Yu Keung Yum, 72
Independent Director
Nominating 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 generalized 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
- Advanced Systems Automation Limited
- Dragon Group International Limited

Past 5 Years Listed Companies' Directorships
- ASTI Holdings Limited

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi, 58
Independent Director
Audit Committee Chairman

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

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

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

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

Current Listed Companies' Directorships
- Advanced Systems Automation Limited
- ASTI Holdings Limited
- Dragon Group International Limited
- PT Envy Technologies Indonesia Tbk

Past 5 Years Listed Companies' Directorships
- None

Mr Steven Shen Hing, 58
Independent Director

Bachelor of Science in Electrical Engineering, National Taiwan University

Mr. Steven Shen is a reputable name in the semiconductor and electronics industry. He brings with him a wealth experience having been a successful entrepreneur and was the President of Flextech (North Asia) responsible for China, Hong Kong, Korea and India.

Mr. Shen founded his own component distribution company and developed his own technical design and FAE teams in the late 1980s. Over span of 2 years, his company commanded more than 85% of the sound blaster card market in China and Hong Kong. In early 1990s, riding on the enhanced ESS features developed, his company became a globally renowned VCD and DVD chip supplier in the early 1990s.

His knowledge on the stringent corporate governance requirements coupled with his familiarity of the semiconductor and electronics industries will be a valuable addition to the board of ASA Group.

Current Listed Companies' Directorships
- Advanced Systems Automation Limited

Past 5 Years Listed Companies' Directorships
- None

Key Management

Timothy Lim
Group Administrative Officer

Mr. Lim brings with him over 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 its holding company ASTI Holdings Limited as well as the President and Acting Chief Executive Officer of its associated company Dragon Group International Limited. Prior to this, Mr. Lim has held various positions during his career including sales and management. Mr. Lim holds a Diploma in Sales and Marketing from CIMUK.

Anthony Loh
Vice President of Finance

Mr. Loh joined the Group in 2017 and has over 20 years of experience in finance and accounting. He is overall in charge of the Group's Finance Team and is also the Vice President of Finance of ASTI Holdings 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.

Seah Chong Hoe
Chief Operating Officer

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

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

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

Rurando Steven Tan
Vice President, Engineering & Operations of Microfits

Mr. R. Steven Tan has accumulated 40 years of experience in the semiconductor and electronics industry spanning across a wide range of industries including engineering developments, automation system, developing IC manufacturing process engineering & implementation of system maintenance, engineering research & developments and design configuration. Prior to joining Microfits, Mr. Steven Tan was the managing director of Euro Technology Pte Ltd, a company he founded which focused on conceptualised design, research & development by applying the German technology engineering and instrumental the state of art technology for the front of lines machinery to support the semiconductor, electronics and the LED industry.

Financial Highlights

RESULTS OF OPERATIONS	2019	2018	2017
	S$'000	S$'000	S$'000
Group Income Statement			
Revenue	13,711	12,191	18,867
Loss before Taxation from continuing operations	(3,806)	(1,302)	(2,481)
Loss Attributable to Owners of the Company	(4,546)	(6,041)	(5,529)
Group Balance Sheets			
Non-Current Assets	10,071	10,023	2,131
Current Assets	10,649	13,585	18,625
Total Assets	20,720	23,608	20,756
Current Liabilities	19,077	16,665	15,911
Non-Current Liabilities	961	1,625	-
Total Liabilities	20,038	18,290	15,911
Equity Attributable to Owners of the Company	1,572	6,117	5,606
Non-Controlling Interests	(890)	(799)	(761)
Total Equity	682	5,318	4,845
Basic Loss per share (cents)	(0.02)	(0.04)	(0.05)
Net Assets Value per share (cents)	0.01	0.03	0.04
Weighted average number of shares in the year	22,324,126,058	16,322,756,195	10,871,791,559
Number of shares (excluding treasury shares) as at end of year	22,324,126,058	22,324,126,058	15,824,126,058
Financial Ratios			
Return on Average Shareholders' Fund (%)	(118)	(103)	(203)
Gearing Ratio (%)	90	68	66
Current Ratio (Times)	0.6	0.8	1.2

Corporate Information

BOARD OF DIRECTORS

Dato' Michael Loh Soon Gnee
Executive Chairman and Chief Executive Officer
Resigned with effect from 7 April 2020

Dato' Khor Gark Kim
Lead Independent Director

Dr Kenneth Yu Keung Yum
Independent Director

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Independent Director

Steven Shen Hing
Independent Director

AUDIT COMMITTEE

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dr Kenneth Yu Keung Yum
Dato' Khor Gark Kim
Steven Shen Hing

NOMINATING COMMITTEE

Dr Kenneth Yu Keung Yum
Chairman

Dato' Khor Gark Kim
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Steven Shen Hing

REMUNERATION COMMITTEE

Dato' Khor Gark Kim
Chairman

Dr Kenneth Yu Keung Yum
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Steven Shen Hing

COMPANY SECRETARY

Theng Searn Por

EXECUTIVE OFFICERS

Timothy Lim
Group Administrative Officer

Anthony Loh
Vice President of Finance

Seah Chong Hoe
Chief Operating Officer

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

Rurando Steven Tan
Vice President, Engineering & Operations of Microfits

REGISTERED OFFICE

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Kallang Basin Industrial Estate
Singapore 339416
Tel: (65) 6309 5500
Fax: (65) 6292 2067

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00, AIA Tower
Singapore 048542
Tel: (65) 6232 3210
Fax: (65) 6232 3244

BUSINESS OFFICE

Blk 25 Kallang Avenue, #06-01
Kallang Basin Industrial Estate
Singapore 339416
Tel: (65) 6309 5500
Fax: (65) 6292 2067

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

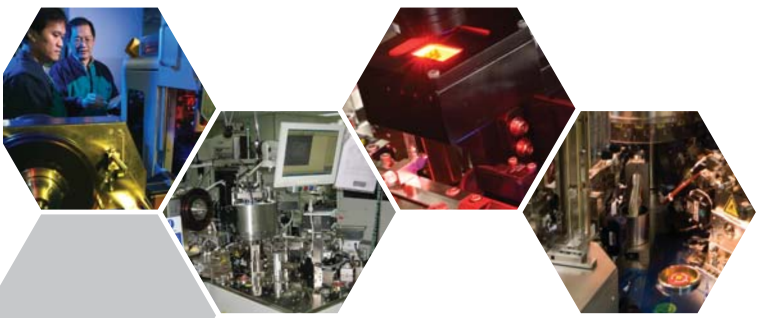
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:

Tan Po Hsiong, Jonathan
(Since the financial year ended 31 December 2016)

PRINCIPAL BANKER

Malayan Banking Berhad
United Overseas Bank Limited



APPENDIX 1

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Financial year ended 31 December 2019 (“FY2019”)

The board of directors (the “**Board**” or “**Directors**”) of Advanced Systems Automation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is committed to maintaining a high standard of corporate governance in complying with the Singapore Code of Corporate Governance 2018 (the “**Code**”) which forms part of the continuing obligations of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). For FY2019, the Company had complied with all principles set out in the Code. In areas where the Company deviates from the provisions of the Code, the rationale and explanation of how the Company’s practices are in line with the principles of the Code is provided. The Board 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 Corporate Governance Report (“**Report**”) describes the corporate governance practices of the Group that were in place throughout FY2019 with reference to the principles and provisions set out in the Code.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Company is headed by an effective Board which leads and controls the Company. The Board is collectively responsible for the success of the Company. The main role and responsibility of the Board is to oversee the business affairs of the Company and to set broad policies, strategies and goals for the Company and the Group. The Board is involved in the approval of annual budgets and the management’s investment and divestment decisions. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. The Board is accountable to the shareholders of the Company (the “**Shareholders**”) while the management (the **“Management**”) is accountable to the Board.

The Board endeavours to provide Shareholders with balanced and understandable assessments of the Group’s performance and position on a regular basis through the release of quarterly and full year results announcements and updates, where applicable. With effect from 7 February 2020, following the revisions to the quarterly reporting framework of the Catalist Rules, the Group will cease to release its financial statements results announcement on a quarterly basis. Instead, the financial statements of the Group will be announced on a half-yearly basis.

The principal functions of the Board include the following:

- providing entrepreneurial leadership, setting strategic aims and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders’ interests and the Group’s assets;
- overseeing the processes for risk management, financial reporting and compliance as well as evaluating the adequacy and effectiveness of internal controls;
- approving annual budgets, major funding proposals, as well as investment and divestment proposals of the Group;
- reviewing the Management’s performance, approving the nominations to the Board and the appointments of key management 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;
- appointing the Group’s Chief Executive Officer (“**Group CEO**”), and reviewing and endorsing the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee (the “**RC**”);
- considering sustainability issues such as environmental and social factors, as part of the Group’s strategic formulation; and
- setting the Company’s values and standards (including ethical standards) and ensuring that its obligation to Shareholders and other stakeholders are understood and met.

All the Directors exercise due diligence and independent judgement, and are fiduciaries who act and make decisions objectively in the best interests of the Group. Directors facing conflicts of interest will also recuse themselves from discussions and decisions involving the issues of conflict.

The Board holds regular meetings and, to assist it in the execution of its responsibilities, establishes board committees, namely, the NC, the RC and the Audit Committee (the "**AC**") (collectively, the "**Board Committees**") to cover specific functions that are delegated from the Board. Each Board Committee operate within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Specific descriptions of these Board Committees are set out in this Report.

The Group has adopted and documented internal guidelines setting forth matters that require the Board's approval. The types of material transactions and matters that require the Board's approval under such guidelines are listed below:

- strategies and objectives of the Group;
- announcements of results and release of annual reports;
- issuance of shares of the Company;
- declaration of interim dividends and proposal of final dividends;
- convening of Shareholders' meetings;
- investments and divestments;
- acquisitions and disposals;
- business plans and annual budget of the Group;
- commitments to terms loans and lines of credits from banks and financial institutions; and
- interested person 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 the Management so as to optimise operational efficiency.

The Board receives updates on the management of the business affairs and operations of the Group and assesses from time to time, strategies and financial initiatives implemented by the Management. The Management has provided the Board with complete and adequate information in a timely manner prior to meetings and also on an on-going basis for the Board to discharge its obligations. Such information includes background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. The Board also duly monitors the 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 in a timely manner. 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 separate and independent access to the Management, Directors are also provided with the names and contact details of the Management. 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.

The Chairman updates the Board during the quarterly Board meetings on 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 is a matter for the Board as a whole. The Directors have separate and independent access to the Company Secretary. Duties of the Company Secretary include ensuring that Board and Board Committees' procedures are followed and in compliance with applicable rules and regulations including the Companies Act (Cap. 50) and the Catalist Rules. The Company Secretary was present at all the Board and Board Committee meetings held in FY2019.

Attendance at Board and Board Committee Meetings

The Board meets regularly at least four (4) times a year and as when warranted by particular circumstances, as deemed appropriate by the Board. The Company's Constitution allows meetings to be conducted by way of teleconference and videoconference.

The frequency of the meetings of the Board and the Board Committees, and the attendance by the Directors for such meetings in FY2019 are set out as follows:

Meetings	Board	AC	NC	RC
Total held in FY2019	4	5	1	1
Directors				
Dato' Michael Loh Soon Gnee^	4	5*	1*	1*
Dato' Khor Gark Kim	4	5	1	1
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	4	5	1	1
Dr Kenneth Yu Keung Yum	4	5	1	1
Dr Tan Jok Tin#	1	1*	1*	1*
Mr Steven Shen Hing##	2	2*	-	-

Notes:

* *By Invitation*
^ *The resignation of Dato' Michael Loh Soon Gnee as Chief Executive Officer and Executive Chairman took effect from 7 April 2020.*
# *Dr Tan Jok Tin resigned as director of the Company on 29 March 2019.*
Mr Steven Shen Hing was appointed as director of the Company on 5 August 2019.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. Other than Mr Steven Shen Hing was appointed as director of the Company on 5 August 2019, there were no new directors appointed in FY2019. Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out, amongst other, the Director's duties and obligations. The Company will put all newly appointed Directors through an orientation programme to familiarise them with the Group's structure, businesses and governance practices. This is to ensure that all Directors understand the Company's business as well as their directorship duties, including their roles and responsibilities as Directors of the Company. For newly-appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the Rule 406(3)(a) of the Catalist Rules, the Company will arrange for the Directors to attend the SGX-ST's prescribed training courses on the roles and responsibilities of a director of a listed company.

Changes to regulations and accounting standards are closely monitored by the Management. Directors are briefed during the Board meetings of these changes especially where such changes have an important bearing on the Company's or Directors' disclosure obligations.

On an on-going basis, the Management will provide necessary updates on the Group and its business to the Directors, including any changes in legislations or regulations that may impact the Company's conduct of its business or affect the Directors' discharge of their duties to the Company. All Directors are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. Additional trainings will be arranged and funded by the Company, as and when necessary, for the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board.

During FY2019, news releases and newsletters issued by the SGX-ST, the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority, the Company's external auditors and advisors, which are relevant to the Directors, were circulated to the Board. The Board was also briefed on changes to the accounting standards and regulatory updates by the external auditors and the Company Secretary.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this Report, the Board comprises four (4) Directors, all of whom are Independent Directors. For FY2019, four (4) out of its five (5) Directors are Independent Directors, and accordingly, the composition of the Board complied with the requirement under Provision 2.2 of the Code, where Independent Directors should make up majority of the Board where the Chairman of the Board is not independent, as the Chairman of the Board is also the CEO of the Company. As the Independent Directors are all non-executive, the Non-Executive Directors make up a majority of the Board. Notwithstanding that Rule 406(3)(c) of the Catalist Rules will only come into effect on 1 January 2022, the Board is in compliance with the requirements where independent directors are required to make up at least one-third of the Board.

Board and Board Committee Appointments

As of the date of this Report, the designation of the Directors on the Board and details of their respective memberships on the Board Committees are as follows:

Directors	Board Membership	Board Committee Membership		
		Audit	Nominating	Remuneration
Dato' Khor Gark Kim	Lead Independent Director	Member	Member	Chairman
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	Chairman	Member	Member
Dr Kenneth Yu Keung Yum	Independent Director	Member	Chairman	Member
Mr Steven Shen Hing*	Independent Director	Member	Member	Member

Notes:

* *Mr Steven Shen Hing was appointed as member of the AC, NC and RC on 8 June 2020.*

Following the resignation of Dato' Michael Loh Soon Gnee as Executive Chairman and Group CEO with effect from 7 April 2020, the NC and the Board is still looking for suitable candidate(s) for the position(s) of Group CEO and Chairman of the Board, and will make the necessary announcements when the appointment is made. The NC and the Board will also make sure that the Board composition is in line with the requirements set out in the Code, and the Catalist Rules, where applicable.

Collectively, the Directors provide an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as core competencies in accounting and finance, business and management expertise, industry knowledge, strategic planning experience and customer-related knowledge. The profiles of each of the Directors are set out in the "Board of Directors" section of this Annual Report.

Currently, the Company does not have a Board diversity policy as provided by Provision 2.4 of the Code, but the Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance balance and diversity within the Board. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. Accordingly, the Board is of the view that its current practices are consistent with the aim of Principle 2 of the Code.

The Non-Executive Independent Directors have participated actively to help to develop and challenge proposals concerning the Group's strategy, business and corporate affairs. They have also reviewed and monitored the reporting of the performance of the Management in meeting goals and objectives of the Group. The Non-Executive Independent Directors, as and when deemed necessary, may meet without the presence of the Management, and the Chairman of such meetings will provide feedback to the Board as appropriate.

The Board will constantly examine its size and decide what is considered an appropriate size for the Board in order to facilitate effective decision-making. Taking into account the nature and scope of the Group's operations, and the requirements of its near-term business plans, the Board is of the view that its current size and composition of the Board and its Board Committees are appropriate and believes that it provides sufficient diversity without affecting the effectiveness and efficiency of decision-making.

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually and as and when the circumstances require, based on the definition of "independent directors" set out in the Code and any other salient factors which would render a Director to be deemed not independent. In their review, the NC will also determine if a Director has any relationship(s) with the Group, its related corporations, officers or 5% Shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Group. For the purpose of determining Directors' independence, every Director will provide declaration of his independence which is deliberated upon by the NC and the Board.

In relation to the assessment of the independence of the Directors, specific tests of Directors' independence are set out in the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which took effect on 1 January 2019, a Director will not be considered as independent if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three (3) financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations in the current or any of the past three (3) financial years.

Currently, the Board carries out rigorous review of the contribution and independence of Directors who has served on the Board beyond nine (9) years from the date of their appointment and if necessary, may exercise its discretion to extend the tenures of these Directors. Presently, Dato' Khor Gark Kim and Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi have served as Independent Directors of the Company for more than nine (9) years since their initial appointments in 2006 and 2007 respectively. For FY2019, the Board has subjected their independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Dato' Khor Gark Kim and Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi continued to demonstrate independence in discharging their responsibilities as Directors of the Company by objectively expressing their opinions and seeking relevant explanations and clarifications on matters of the Group from the Management. Moreover, they have gained knowledge and understanding of the Group's business and operations over the years and will enable them to provide valuable contributions to the Company. Based on the declaration of independence received from Dato' Khor Gark Kim and Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi, they have no association with the Management or any 5% Shareholder that could affect their independence.

After taking into account all these factors, and assessing the need for progressive refreshing of the Board, the Board is of the opinion that Dato' Khor Gark Kim and Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi were strongly independent in thought, judgement and action, notwithstanding they have served on the Board for more than nine (9) years from the date of their respective appointments.

Saved as disclosed in this Report, none of the Directors has served on the Board for more than nine (9) years since their first appointments.

The Board also notes Rule 406(3)(d)(iii) of the Catalist Rules, effective 1 January 2022, where a director who has been a director for an aggregate period of more than 9 years will be required to be subject to shareholders' approval, in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officer. In this respect, the Board will continuously monitor, and take the necessary steps to ensure that the Board is in line with the requirements of the Catalist Rules at all times.

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

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 of the Code sets out that the Chairman and Chief Executive Officer ("**CEO**") should be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision making. The Former Executive Chairman assumed additional responsibilities as CEO of the Company in 2010. For FY2019, the Board is of the opinion that given the Chairman's vast experience and past contributions, the structure of the Board will enable a more efficient decision-making process and bring greater value to the Group. Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that notwithstanding that the Chairman and CEO is the same person, there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent, based on collective decisions without any individual or group of individuals being able to exercise considerable concentration of power or influence.

However, as mentioned earlier, the NC and the Board is still looking for suitable suitable candidate(s) for the position(s) of Group CEO and Chairman of the Board, and will ensure that the Company adheres to Principle 3 of the Code.

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 has unfettered powers of decision-making.

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. Going forward, the Board will re-assess the roles and responsibilities of each of the Executive Chairman and Group CEO in appointing new candidate(s) for the position(s).

For FY2019, 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.

For FY2019, as the Executive Chairman and the Group CEO is the same person and is therefore not independent, the majority of the Board comprises Independent Directors. In addition, the Board has also appointed a Lead Independent Director, in accordance with the Code, to provide a channel for shareholders to raise any issues of concern for which communication through the Executive Chairman and Group CEO, or the Vice President, Finance may not be appropriate nor adequate in some circumstances, or where the Chairman is conflicted. 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 the Management and the Executive Chairman and Group CEO, the Independent Directors led by the Lead Independent Director have been encouraged to meet without the presence of the Management and the Chairman at separate occasions. The Lead Independent Director then provides feedback to the Chairman after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

Board and Board Committee Appointments

The NC, comprising three (3) members, all of whom, including the NC Chairman, are Non-Executive Independent Directors. Dato' Khor Gark Kim, being the Lead Independent Director, is a member of the NC. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Directors' memberships on the Board Committees.

The NC is governed by its written terms of reference. The principal functions of the NC are:

- review board succession plans for Directors, in particular, the Executive Chairman and the CEO and the key management personnel;
- development of a process and criteria for evaluation of the performance of the Board, 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 a 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. In the selection and nomination for new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will assess the suitability of the candidate based on his/her skills, knowledge and experience as well as to ensure he/she is aware of the expectations and the level of commitment required, before recommending the potential candidate to the Board for appointment as Director. Upon review and recommendation of the NC to the Board, new Directors will be appointed by way of passing a Board resolution. The Company's Constitution provides that a newly appointed Director can only hold office until the next Company's annual general meeting ("**AGM**") and then be eligible for re-election. Thereafter, he is subject to be re-appointed at least once every three (3) years at the Company's AGM. The NC also ensures that new directors are aware of their duties and obligations.

Retirement and Re-election of Directors

The NC is responsible for re-appointment of the Directors. In recommending to the Board any re-election of the existing Directors, the NC takes into consideration the Directors' contribution and performance (including his contribution and performance as an independent director, if applicable) at Board and Board Committee meetings.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 contributions.

All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three (3) years. The Company's Constitution provides that at least one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be subject to re-appointment at the AGM. As part of the process for the selection, appointment and re-appointment of Directors, the NC will consider the composition and progressive renewal of the Board.

The dates of initial appointments and the last re-election of the Directors are set out below:

Directors	Designation	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Dato' Michael Loh Soon Gnee^	Executive Chairman	19 July 2006	30 April 2018
Dato' Khor Gark Kim	Lead Independent Director	19 July 2006	30 April 2018
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	31 August 2007	30 July 2019
Dr Kenneth Yu Keung Yum	Independent Director	1 March 2011	30 July 2019
Mr Steven Shen Hing	Independent Director	5 August 2019	Not Applicable

Notes:

^ *Dato' Michael Loh Soon Gnee resigned as Executive Chairman and Group CEO from 7 April 2020.*

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:

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	Independent Director
Mr Steven Shen Hing	Independent Director

The Board has accepted the recommendation of the NC. Each member of the NC and the Board shall abstain 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.

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi will, upon re-election as a Director, remain as Independent Director of the Company, AC Chairman and a member of the NC and RC. The Board considers Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi to be independent for purposes of Rule 704(7) of the Catalist Rules.

Mr Steven Shen Hing will, upon re-election as a Director, remain as Independent Director of the Company, and a member of the AC, NC and RC. The Board considers Mr Steven Shen Hing to be independent for purposes of Rule 704(7) of the Catalist Rules.

Dato' Khor Gark Kim will also retire as a Director of the Company at the forthcoming AGM, but had indicated to the Company that he will not be seeking re-election at the forthcoming AGM. Accordingly, Dato' Khor Gark Kim will retire as a Director after the conclusion of the AGM.

Confirmation of Independent of Directors

The NC is responsible for determining annually, or as and when circumstances require, whether a Director is independent, with reference to the guidelines set out in the Code and the Catalist Rules. Further details on the NC's assessment in respect of the independence of the independent Directors have been set out under Principle 2 of this Report above. Each NC member does not take part in determining his own renomination or independence. Accordingly, the NC had reviewed the independence of the Independent Directors for FY2019, and there are no relationships between the Directors, the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence.

Directors' Time Commitment and Multiple Board Representations

Although some of the Directors have multiple board representations, the NC is satisfied that each Director is able to and has devoted adequate time and attention to the affairs of the Company to fulfil 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 guideline provides that, as a general rule, each Director should hold no more than ten (10) listed company board representations. The guideline includes the following:

(a) Directors must consult the Chairman of the Board and the NC Chairman prior to accepting any new appointments as directors and other principal commitments; and

(b) In support of their candidature for directorship or re-appointment, Directors are to provide the NC with details of their board appointments and other principal commitments and an indication of the time involved in their respective commitments.

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 his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2019, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and that the Directors have discharged their duties adequately. The NC also ensures that new directors are aware of their duties and obligations.

There was no appointment of alternate director in FY2019.

Key information regarding the Directors such as academic, professional qualifications, shareholdings in the Company and its related corporations, Board Committees served on (as a member or Chairman), directorships or chairmanships both present and those held over the preceding five (5) years in other listed companies, and other principal commitments is disclosed in the "Board of Directors" and "Directors' Statement" sections of this Annual Report. In addition, pursuant to Rule 720(5) of the Catalist Rules, the additional information as set out in Appendix 7F of the Catalist Rules relating to the retiring Directors who are submitting themselves for re-election is disclosed in the section entitled "Information on Directors nominated for re-election – Appendix 7F of the Catalist Rules" of this Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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. The effectiveness of each Board Committee is also reviewed by the Board.

A formal Board performance evaluation, led by the NC, is conducted annually by means of a confidential questionnaire designed to assess the effectiveness of the Board as a whole, including the performance of each individual Board Committee. There is also a system of peer assessment of each Director completed by their fellow Directors at least annually. These peer assessments are collated by the NC and are taken into account when the NC assesses the results and makes recommendation to the Board on the effectiveness of the Board, Board Committees and whether the retiring Directors are suitable for re-election/re-appointment. In making these assessments, the NC also takes into account the level of participation and contribution of each Director towards the Board's effectiveness and competencies.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities as well as the conduct of its affairs as a whole for FY2019, 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. No external facilitator had been engaged by the Board for this purpose.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

As at the date of this Report, the RC comprises three (3) members, all of whom, including the RC Chairman, are Non-Executive Independent Directors. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Director's membership on the Board Committees. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

The members of the RC carried out their duties in accordance with its terms of reference, which includes the following:

- Review and recommend to the Board for endorsement, a formal and transparent procedure for determining the remuneration packages of the Directors and a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
- Recommend to the Board, base salary levels, benefits and incentive programs, and identify components of salary which can best be used to focus management staffs 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 Group CEO;
- 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 Group and that of individual employees would be considered by the RC in undertaking such reviews;
- Implement and administer the Company's share options scheme (as applicable);
- Review the Group's obligations arising in the event of termination of the Executive Director's 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 has the authority, if necessary, to seek independent experts' advice on the remuneration of all Directors, while ensuring that the existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The RC did not appoint any remuneration consultants in FY2019.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate the Executive Director and key management personnel, and to align their interests with those of the Shareholders, linking rewards to corporate and individual performance and promote the long-term success of the Group. No Director is involved in deciding his own remuneration.

In this regard, the RC:

- takes into account the salary and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual Director;
- 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); and
- reviews the terms, conditions and remuneration of the Executive Director, and ensures that his total remuneration package have 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. Independent Directors are paid a basic fee and an additional fee for serving on any of the Board Committees.

The fees paid to the Independent Directors takes into account factors such as effort and time spent, and responsibilities undertaken and their respective contributions to the Board. The fees paid to the Independent Directors are also benchmarked against independent directors' fees paid by other companies in the same industry and with similar scale of operations. The RC is of the view that the Independent Directors are not over-compensated to the extent that their independence may be compromised. Such fees are recommended by the Board for approval by the Shareholders at the Company's AGM.

The Executive Director does not have fixed-term service contract with the Company, and his service contract does not contain onerous removal clauses. Notice periods in service contracts of key management personnel are typically set at six (6) months or less. There are currently no incentive components (such as profit sharing schemes) in the service contracts with the Executive Director and key management personnel.

The remuneration policy for staff, including Executive Director(s) and key management personnel, 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's businesses and respective employees. Performance-related remuneration is also aligned with the interests of shareholders and promotes the long-term success of the Company.

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 Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC will review such contractual provisions as and when necessary.

The RC and the Board have collectively endorsed the Company's remuneration policy and are of the view that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the Company for the long term.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Remuneration of Directors for FY2019

Directors	Remuneration (S$'000)	Director Fees (%)	Fixed Salary (%)	Bonus & Management Incentive (%)	Share-Based Compensation (%)	Benefits & Allowance (%)	Total (%)
Dato' Michael Loh Soon Gnee^	810	4%	96%	N.A.	N.A.	N.A.	100%
Dato' Khor Gark Kim	27	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Kenneth Yu Keung Yum	27	100%	N.A.	N.A.	N.A.	N.A.	100%
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	28	100%	N.A.	N.A.	N.A.	N.A.	100%
Mr Steven Shen Hing#	8	100%	N.A.	N.A.	N.A.	N.A.	100%
Dr Tan Jok Tin*	5	100%	N.A.	N.A.	N.A.	N.A.	100%
Total	905						

Notes:

N.A.: Not applicable
^ *Dato' Michael Loh Soon Gnee resigned as Group CEO and Executive Chairman with effect from 7 April 2020.*
# *Mr Steven Shen Hing was appointed as director of the Company on 5 August 2019.*
* *Dr Tan Jok Tin resigned as director of the Company on 29 March 2019.*

Remuneration of Key Management Personnel for FY2019

Remuneration Band	Number of Employees
Between S$500,000 to S$749,999	1
Between S$250,000 to S$499,999	0
Below S$250,000	1

As at the date of the Report, other than the Directors and CEO, the Group only has five (5) key management personnel but only 2 key management personnel drew remuneration from the Group for FY2019. The total remuneration paid to all the key management personnel (who are not directors or CEO) amounted to approximately S$810,000. Provision 8.1 sets out that the Company discloses the names, amounts and breakdown of remuneration of each individual director and the CEO, and for at least the top five key management personnel (who are not directors of CEO), in bands no wider than S$250,000. However, the Board is of the opinion that full disclosure of the names of the above key management personnel would not be in the best interests of the Company as such details are confidential and sensitive in nature. Taking into consideration of 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, the remunerations, or the breakdown of the remunerations (in percentage or dollar terms) of the key management personnel (who are not directors or CEO).

There was no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors and the key management personnel. The Company currently does not have any employee share option scheme in place.

There are no employees who are immediate family members of a Director,the CEO or a substantial shareholder, and whose remuneration exceeds S$100,000 in FY2019.

ACCOUNTABILITY AND AUDIT

Risk Management And Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

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, as well as reports to regulators. The Management provides Directors with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis and as and when required by the Board from time to time.

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

The Board, with the assistance from the AC, is responsible for determining nature and extent of the significant risk which the Group is willing to take in achieving its strategic objectives by ensuring that the Group has put in place internal controls systems to manage its significant business risks, so as to safeguard Shareholders' interests and the Company's assets. The Company does not have a separate risk committee.

The AC is responsible for overseeing the Group's risk management framework and policies, as well as assessing the level of adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operating, compliance and information technology controls, and risk management policies and systems established by the Management.

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

- Determine the Group's levels of risk tolerance and risk policies;
- Oversee the Management in the formulation, update 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 recommendation 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 Catalist Rules and the Code;
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary; and
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

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

- the financial records of the Group have been properly maintained and the financial statements for FY2019 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.

The Company's external auditors, Ernst & Young LLP ("**EY**"), held discussions with management and proposed improvements to certain internal controls and risk management which they noted in the course of their statutory audit. After discussing on the facts with external and internal auditors, the Board is satisfied that the Company's internal controls are at present adequate and effective.

Based on the internal controls established and maintained by the Group, the above assurance from the Executive Chairman and Group CEO and the Vice President, Finance, the reviews performed by the Management and the AC, as well as the work performed by the internal auditors and external auditors, as well as additional controls to the Group's internal control procedures in relation to the interested person transactions which the Company is currently implementing, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems, is adequate and effective. Nevertheless, the AC and the Board recognise that no internal control system will preclude all potential 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

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

(a) Reliance on the Semiconductor Industry

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

(b) 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 developments and introduction require the 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.

(c) 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, will expose the Company to foreign exchange risk.

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 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 of the Group.

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 one (1) month or two (2) weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results. Going forward, with the cessation of quarterly reporting for the Group effective 7 February 2020, the Company, its officers and employees of the Group should not trade in the Company's securities during the period commencing one (1) month before the date of announcement of the Company's half-yearly and full year results and 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 FY2019, the Company has complied with, Rule 1204(19) of the Catalist Rules.

Interested Person Transactions ("IPTs")

The aggregate value of interested person transactions entered into during FY2019 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules is as follows:

Name of interested Person	Aggregate value of all IPTs entered into for FY2019 (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all IPTs conducted in FY2019 under Shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
ASTI Holdings Limited ("ASTI") and its subsidiaries	- Interest payable on loan extended by ASTI (value of transactions amounting to S$224,000)[1] - Corporate Support Services fee amounting to $400,000 - Rental Income amounting to $63,000	Nil
Dato' Loh Soon Gnee (Executive Chairman and Group CEO)	Nil[2]	Nil
Yumei Plastic Pte Ltd (A wholly-owned company of Seah Chong Hoe)	Nil[3]	Nil

Notes:

(1) Relates to interest payable on the loan extended by ASTI Group. As at 31 December 2019, ASTI Group had provided an aggregate of S$6.6 million loan (the "**Loan**") to the Group. The Loan which bears effective interest rates ranging from 3.24% to 3.39% is unsecured.

(2) Relates to interest payable to Dato' Loh Soon Gnee on loans extended by Dato' Loh Soon Gnee to the Company for FY2019, amounted to $21,000, which was below S$100,000.

(3) Relates to office facility and storage services expenses for FY2019 amounted to $96,000 payable to Yumei Plastic Pte Ltd, which was below S$100,000.

The Company will convene an extraordinary general meeting to seek shareholders' approval for, among others, the ratification of the above interested party transactions with ASTI in due course.

Compliance with Laws and Regulations

The Company has established a system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow-up of any fraudulent acts or non-compliance with such laws and regulations.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively

As at the date of this Report, the AC comprises three (3) members, all of whom, including the AC Chairman, are Non-Executive Independent Directors. Please refer to Principle 2 "**Board Composition and Guidance**" of this Report for details on the respective Directors' membership on the Board Committees.

The members of the AC have adequate accounting, finance, business and managerial experiences. The Board is of the view that at least two members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions. No member of the AC is a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation..

In FY2019, the AC had obtained updates from the Group's external auditors, EY, 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 explicit powers and authority to conduct investigations into any matters within its terms of reference, has full access to and co-operation by the Management. It has full discretion to invite any Director or key management personnel 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:

- 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, at least annually,the adequacy of the internal control procedures and evaluates the effectiveness of the overall internal control and risk management systems, including financial, operational, compliance and information technology controls;
- 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, half-yearly or annually relating to the Group's financial performance, including announcements to the Shareholders and the SGX-ST prior to the submission to the Board;
- reviews the assurance from the Executive Chairman and Group CEO and the Vice President, Finance on the financial records and financial statements;
- 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, when appointed;
- to review, monitor, assess and evaluate the role, adequacy and effectiveness, independence, scope and results of the internal audit function in the overall context of the Company's risk management system;
- reviews the assistance given by the Management to the External Auditors;
- reviews and monitors interested person transactions, if any, and ensures that the Catalist Rules and the Company's internal control procedures set out in the Shareholders' mandate for interested person transactions, if any, are adhered to in relation to such transaction;
- reports actions and reviews taken, as well as provide minutes of the AC meetings to the Board with such recommendations as the AC considers appropriate;
- conducts an annual review of the independence and objectivity of the External Auditors, including the volume of non-audit services provided by the External Auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors before recommending to the Board the re-appointment of the External Auditors;
- where its significant subsidiaries and associated company have to appoint a different external auditor, the AC ensures that the external auditors are sufficiently independent and objective so that their appointment would not compromise the standard and effectiveness of the audit of the Group; and
- reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC held five (5) meetings in FY2019. The AC also met with the external and/or internal auditors in FY2019 twice, without the presence of the Management to review the Management's level of cooperation and other matters that warrants the AC's attention.

The principal activities of the AC during FY2019 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 the audit committee report presented by the External Auditors.

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

Key audit matters	How AC reviewed these matters and what decisions were made
Purchase price allocation ("PPA") on acquisition of Yumei Group	The AC assessed the appropriateness of accounting treatments for its PPA exercise. The AC also reviewed the key assumptions used by management in the accounting treatments as well as the External Auditors' 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 with the accounting treatments that was applied.
Key audit matters	**How AC reviewed these matters and what decisions were made – Cont'd**
Impairment of assessment of goodwill arising from acquisition of Yumei Group	The AC reviewed the key assumptions used by management in assessing the recoverable amount of Yumei Group based on the value-in-use calculations using a 5-year cash flow projections. The AC concurred with the Management's assessment on goodwill for impairment
Going concern assumption	The AC assessed the ability of the Group to meet its financial obligations and manage it liquidilty position and consequently, the use of going concern assumption in the preparation of the financial statements. The AC also reviewed the reasonableness of key assumptions and estimates used by management in the preparation of cash flow forecast as well as the External Auditors' findings, audit report and addendum presented. Subsequent to the reviews, the AC concurred with the management's assessment on the Group's going concern assumptions.
Inventories written down	The AC considered and evaluated the appropriateness of the Group's policies on writing down of slow-moving inventories. The AC has reviewed the assessments made by Management, as well as the External Auditors' 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 inventories written down.

External audit processes

The AC manages the relationship with the External Auditors, on behalf of the Board. During FY2019, 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 External Auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the External Auditors. The Board accepted this recommendation and has proposed a resolution to the Shareholders for the re-appointment of Ernst & Young LLP at the forthcoming AGM. Dragon Microfits Sdn. Bhd. (Malaysia) and ASA Multiplate (M) Sdn Bhd (Malaysia) are audited by KCK Associates, Penang, Malaysia and CHI-LLTC, Penang, Malaysia, respectively. The Board and the AC are satisfied that the appointment of these three (3) firms would not compromise the standard and effectiveness of the audit of the Company carried out by Ernst & Young LLP.

Pursuant to the requirement in the Catalist Rules, 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. In FY2019, the current Ernst & Young LLP's audit partner for the Group took over from the previous audit partner for the audit of the financial statements for FY2016. In appointing the external auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 716 of the Catalist Rules.

The non-audit fees and audit fees paid to the External Auditors for FY2019 are disclosed in the Note 7 to the financial statements. The AC has undertaken a review of all services provided by the External Auditors and is satisfied with the level of independence and objectivity of the External Auditors.

Internal controls

During FY2019, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with the Management, the internal auditors and the External Auditors.

The AC considered and reviewed with the Management and the internal auditors on 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 the Management's response thereto.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the internal auditors have adequate resources to carry out the internal audit function. Accordingly, the AC is of the view that the internal audit function is independent, effective and adequately resourced.

Whistle blowing policy

The Company has in place a whistle blowing policy that provides well-defined and accessible channels through which any employee may raise any concerns he/she may have about improper conduct or malpractices within the Group. The whistle blowing policy can be found on the Company's intranet, and, together with the procedures for raising such conerrns, are clealy communicated to employees. Currently, the Company is of the view that the disclosure of the whistle blowing policy to be available on the Company's intranet is sufficient, notwithstanding Principle 10.1 of the Code. 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 administration of the policy with the assistance of Group Administrative Officer. The AC has reviewed and is satisfied with the adequacy of the whistle blowing policy. For FY2019, no whistle blowing reports were received.

Internal Audit

In FY2019, the internal audit function was outsourced to Foo Kon Tan Advisory Services Pte Ltd ("FKTAS" or "Internal Auditor"). FKTAS is an associate company under Foo Kon Tan LLP, Chartered Accountants of Singapore, an accountancy practice which was founded in 1968 and is currently a principal member of HLB International, a world-wide network of independent accounting firms and business advisers. FKTAS has experience in providing internal audit and enterprise risk management services to several companies that are listed on the Singapore Exchange. The team, comprising of an Engagement Manager, Senior Associate and Associates, is led by the Engagement Partner who has 20 years of relevant experience.

The primary reporting line of the internal auditors is to the AC, which approves the engagement, termination, evaluation and fees of the Internal Auditor. The Internal Auditor 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 the Management in identifying operational and business risks as well as provides recommendations to address those risks.

The AC ensures that the internal audit function is effective and 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 audit function by examining the scope of the Internal Auditor's work, quality of its reports, reporting structure within the Group, relevant qualifications and training, relationship with the Internal Auditor, and its independence of the areas reviewed. The AC is of the view that Internal Auditor is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS' RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company

The Shareholders are informed of the Shareholders' meetings through timely and formal notices via SGXNET and published in the newspapers. All relevant reports and/or circulars are 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. Every Shareholder is entitled to appoint two (2) proxies to attend the general meeting and vote in his stead.

Corporations which provide custodial or nominee services are not constrained by the two-proxy rule. These corporations can appoint more than two (2) proxies. Shareholders, who hold shares through these corporations, may attend its general meetings as proxies upon the presentation of proxy forms and/or official letters issued by the said corporations.

Pursuant to the amendments to the Companies Act (Cap. 50), a new multiple-proxies regime ("**Regime**") was introduced on 3 January 2016. This Regime allows specified intermediaries, such as banks and capital markets service licence holders which provide custodial services, to appoint more than two (2) proxies. This will enable indirect investors (including investors who purchased shares under the CPF Investment Scheme ("**CPFIS**") and the Supplementary Retirement Scheme ("**SRS**") to attend and vote at Shareholders' meetings. CPFIS investors and SRS investors are required to contact their CPF Approved Nominees if they wish to cast their votes on resolutions at the Shareholders' meetings of the Company but are not able to attend these meetings in person.

The External Auditors are present at AGMs to assist the Board and the Management to address any questions from the Shareholders concerning the conduct of the audit and the Company's conduct of its businesses.

At general meetings, each substantially separate issue is dealt with in separate resolutions to avoid bundling of resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. The Company has not amended its Constitution to provide for absentia voting methods. Notwithstanding that Provision 11.4 sets out that the Company's Constitution should allow for absentia in voting. However, voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of Shareholders' identities through the web are not compromised.

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 the Management.

Provision 11.6 states that companies should have a dividend policy and communicates it to shareholders. However, the Company currently does not have a formal policy on payment of dividends. Nonetheless, the Company is of the view that its current practices would constitute a balanced and understandable assessment of its position on a dividend policy, and such practice is consistent with the intent of Principle 11 of the Code. Additionally, the Company also discloses the reasons for the decision of the Board not to declare or recommend a dividend, together with the announcement of the financial statements, which is in line with Rule 704(23) of the Catalist Rules.

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 FY2019 as the Group had incurred losses in the year.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Board and Management. Such minutes will be made available to shareholders upon their written request. The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 of the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its practices are consistent with the intent of Principle 11 of the Code as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act.

For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

The Company engages in regular, effective and fair communication with the Shareholders. The Company ensures that all Shareholders are treated equitably and the rights of all Shareholders are protected. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company holds dialogues with investors, securities analysts, fund managers and the press as and when necessary. The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders to serve the best interests of the Company.

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, the Shareholders and the media. Shareholders can access information on the Company at the Company's website at www.asa.com.sg, 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 Company gives shareholders a balanced and understandable assessment of its performance, position and prospects. Information is always communicated to the Shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Company invites the media, securities analysts, fund managers or the Shareholders to its general meetings, or briefings that follow major announcements and events, such as earnings releases and trade exhibitions. Shareholders may wish to contact the Company at (65) 6309 5500 with questions, and the Company will endeavor to respond to such questions accordingly.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company's engagement with all stakeholders is set out in detail in its Sustainability Report, which had been released by the Company via SGXNet on 29 May 2020. The Company ensures that all material information relating to the Company and its financial performance is disclosed in a timely manner via SGXNet.

The Company also maintains a current corporate website, at www.asa.com.sg, on which financial and other information to be communicated to members of the public are made available.

MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including loans) involving the interests of the Directors or controlling shareholders which are either still subsisting as at the end of the financial year reported on or if not then subsisting, entered into since the end of the previous financial year.

During FY2019, the Company entered into an aggregated loans with Dato' Michael Loh Soon Gnee, former Executive Chairman and Group CEO of the Group and existing controlling shareholder of the Company, amounting to $800,000, which bears an interest rate of 5% per annum, payable by the Company. The loan is unsecured, repayable upon demand and the Company is obligated to repay the loan together with unpaid interest within six (6) months from the date of disbursement of the loan. However, Dato' Michael Loh Soon Gnee has given a letter of undertaking that he, among others, agrees not to demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without prejudicing its ability to continue as a going concern.

CATALIST SPONSOR

There were no non-sponsor fees paid to the Sponsor for FY2019.

Information on Directors nominated for re-election – Appendix 7F of the Catalist Rules

Dato' Sri Mohd Sopiyan B. Mohd Rashdi and Mr Steven Shen Hing are the Directors seeking re-election at the forthcoming AGM of the Company to be convened on 30 April 2020.

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Dato' Sri Mohd Sopiyan B. Mohd Rashdi and Mr Steven Shen Hing in accordance with Appendix 7F of the Catalist Rules is set out below and to be read in conjunction with their respective profiles under the section entitled "Board of Directors" of this Annual Report:

NAME OF DIRECTORS	DATO' SRI MOHD SOPIYAN B. MOHD RASHDI	MR STEVEN SHEN HING
Date of Initial Appointment	31 August 2007	5 August 2019
Date of last reappointment (if applicable)	30 July 2019	Not Applicable
Age	58	58
Country of principal residence	Malaysia	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Mohd Sopiyan B. Mohd Rashdi as the Non-Executive and Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Mohd Sopiyan's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Steven Shen Hing as the Non-Executive and Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Steven Shen's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive

<table>
<tr><th>NAME OF DIRECTORS</th><th>DATO' SRI MOHD SOPIYAN B. MOHD RASHDI</th><th>MR STEVEN SHEN HING</th></tr>
<tr><td>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)</td><td>Non-Executive and Independent Director
Audit Committee Chairman
Nominating Committee Member
Remuneration Committee Member</td><td>Non-Executive and Independent Director
Audit Committee Member
Nominating Committee Member
Remuneration Committee Member</td></tr>
<tr><td>Professional Qualifications</td><td>• Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391)
• Degree in Accountancy, University iTM , Malaysia</td><td>Bachelor of Science – Electrical Engineering
National Taiwan University</td></tr>
<tr><td>Working experience and occupation(s) during the past 10 years</td><td><u>2018 – Current</u>
ASTI Holdings Limited
Director and Remuneration Committee Chairman

<u>2015 - Current</u>
• Financial Adviser – PT Renewable Energi Indonesia Tbk
• Director – PT Pan Pages
• Director & CFO – PT Bintang Makmur Prima
• CEO – PT Envy Technologies Indonesia Tbk,
• CEO – PT Expose Mandala Putra
• Corporate Finance Advisor – LCK Group
• Corporate Finance Advisor – PT Cendrawasih Global International

<u>2011 – Current</u>
Dragon Group International Limited
Independent Director & Audit Committee Chairman

<u>2009 – Current</u>
PT Dragon Terra Ventura
Shareholder, President Director & CEO</td><td><u>Past 10 Years</u>
Ricore Electronics Ltd – General Manager</td></tr>
<tr><td>Shareholding interest in the listed issuer and its subsidiaries</td><td>None</td><td>None</td></tr>
<tr><td>Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries</td><td>None</td><td>None</td></tr>
<tr><td>Conflict of interest (including any competing business)</td><td>None</td><td>None</td></tr>
<tr><td>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Past (for the last 5 years)</td><td><u>Directorships:</u>
PT Bintang Makmur Prima
MHS Land Sdn. Bhd.
Winsun Technology Bhd
Wintoni Bhd

<u>Other Principal Commitments:</u>
None</td><td>None</td></tr>
</table>

CORPORATE GOVERNANCE REPORT (CONT'D)

NAME OF DIRECTORS	DATO' SRI MOHD SOPIYAN B. MOHD RASHDI	MR STEVEN SHEN HING
Present	Directorships: ASTI Holdings Limited PT ENVY Technologies Indonesia Tbk PT Panpages Indonesia Dragon Group International Limited PT Dragon Terra Ventura PT Orient Technology Indonesia Gagah Kejurutenaan Sdn Bhd Long Term Portfolio Sdn Bhd Other Principal Commitments: PT Envy Technologies Indonesia Tbk - Shareholder and CEO	Advanced Systems Automation Limited Ricore Electronics Ltd Ricore Technology Ltd Cyber Town Development
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

NAME OF DIRECTORS	DATO' SRI MOHD SOPIYAN B. MOHD RASHDI	MR STEVEN SHEN HING
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	This relates to re-appointment of Director. Not applicable	This relates to re-appointment of Director. Not applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

APPENDIX 2

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2019

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Advanced Systems Automation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Group and Company will be able to pay its debts as and when they fall due as the Group and Company have obtained undertakings from three key shareholders that they will not recall the amounts due to themselves for the next 12 months from the date the financial statements are authorise for issuance.

Directors

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

Dato' Khor Gark Kim
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Dr Kenneth Yu Keung Yum
Steven Shen Hing (appointed on 5 August 2019)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed below, 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, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below: -

Name of director	At the beginning of financial year	At the end of financial year	At 21 January 2020
Ordinary shares of the Company			
Dato' Michael Loh Soon Gnee			
- direct interest	4,444,444,444	4,444,444,444	4,444,444,444

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

DIRECTORS' STATEMENT (CONT'D)

Options

During the financial year, there were:-

(a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(b) no other shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

Audit committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

DIRECTORS' STATEMENT (CONT'D)

Auditor

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

On behalf of the Board of Directors:

Dato' Khor Gark Kim
Director

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Director

12 June 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Report to the Members of Advanced Systems Automation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Advanced Systems Automation Ltd (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

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.

Going concern assumptions

As at 31 December 2019, the Group and the Company were in net current liability position of S$8,428,000 and S$12,438,000 respectively. The Group had incurred net losses of S$4,637,000 and recorded negative cash flows of $823,000 from its operating activities for the year then ended. These financial statements have been prepared on a going concern basis as disclosed in Note 2.1 of the financial statements.

We have determined this to be a key audit matter due to the significant management judgement involved in assessing the ability of the Group and Company to meet its financial obligations and manage its liquidity position and consequently, the use of going concern assumption in the preparation of the financial statements. In addition, the preparation of the cash flow forecast as part of the going concern assessment involved significant estimates which are based on management's input of the key variables and market conditions including the future economic conditions, taking into considerations the impact of the Covid-19 pandemic.

Our audit procedures included, amongst others, the review of the cash flow forecast prepared by management showing their plans to manage the liquidity requirements of the Group. We assessed the reasonableness of the key management assumptions and estimates underlying the cash flow forecast, such as funding plans, including plans with regards to bank facilities, projected revenue, margins and operating expenses by evaluating the Group's current order books from customers and macro-economic factors. We tested the arithmetical accuracy of the computation of expected cash savings from the Job Support Scheme introduced by the Government of Singapore and checked against cash receipts where available. We have also performed sensitivity analysis on certain key assumptions adopted in the forecast and compared the forecasts against the actual results for available periods after the year end.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (cont'd)

Going concern assumptions (cont'd)

We have also taken into consideration management's assessment of the undertakings given by three key shareholders who have agreed not to recall the amounts due to them within the next twelve months from the date of issuance of the financial statements in assessing the appropriateness of the use of going concern assumption in the preparation of the financial statements.

Purchase price allocation ("PPA") on acquisition of Yumei Group

On 4 December 2018, the Group entered into an agreement with an individual, Mr. Seah Chong Hoe (the "Vendor"), to acquire 100% equity interest in Pioneer Venture Pte Ltd, Yumei Technologies Sdn. Bhd. and Yumei Reit Sdn. Bhd., collectively referred to as ("Yumei Group") for a total consideration of $10,000,000, after taking into account the contingent consideration such as profit guarantee by Vendor as per described below.

The acquisition was accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in Note 13.

As stated in Note 13, the Vendor has undertaken to the Group that in the event the aggregated audited profit before tax of Yumei Group for the period from 1 March 2018 to 29 February 2020 did not exceed S$3,000,000, the Vendor will compensate the Group for the shortfall ("Profit Guarantee"). As at 31 December 2019, the Group has retrospectively adjusted the amount due to the Vendor by $1,277,000 for the expected shortfall.

We had determined this to be a key audit matter due to the quantitative materiality of the acquisition. In addition, significant management judgements and estimates were involved in the PPA exercise in the following areas:

a) Determining the purchase consideration
b) Identification of the intangible assets
c) Valuation of the tangible and intangible assets
d) Determination of the amortisation period for the identified intangible assets

We obtained the valuation report from the external valuation specialists and performed the following procedures:

a) Assessed the competence, objectivity and experience of the external valuation specialists engaged by management.
b) Involved our internal valuation specialist to assess on the appropriateness of the intangible assets identified and valued in accordance with the identification and recognition criteria set out in SFRS (I) 1-38 and SFRS (I) 3 and the appropriateness of the valuation approach.
c) Assessed the reasonableness of the valuation input and performed sensitivity analysis on the key assumptions.
d) Reviewed any fair value changes to the identifiable assets and liabilities since the preliminary PPA assessment.
e) Reviewed any fair value changes to the purchase consideration.
f) Reviewed adequacy of disclosures in the financial statements.

Inventories written down

As of 31 December 2019, the Group's total inventories net of write-down to net realisable value ("NRV") amounted to $1,052,000. The determination of inventories written down requires management to exercise significant judgement in identifying slow-moving inventories and make estimates of write down required. As such, we determine it as a key audit matter.

As part of our audit, we attended and observed management's inventory counts at all material inventory locations and observed management's identification of obsolete and slow-moving inventories. We tested on a sample basis, the carrying value of the inventory by testing the reasonableness of the costing, ageing of inventories, and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete inventories, and the expected demand and selling price. We also assessed the adequacy of the disclosures related to inventories in Note 14.

INDEPENDENT AUDITOR’S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (cont’d)

Impairment assessment of goodwill arising from the acquisition of Yumei Group

As at 31 December 2019, the Group's goodwill, and this arose from the acquisition of Yumei Group referred to in the preceding matter, amounted to S$1,462,000. In accordance with SFRS (I) 36-Impairment of Assets, management assessed whether the goodwill arising from this acquisition was impaired.

The impairment assessment is subject to significant management judgement and estimation in the following areas:

a) The selection of the appropriate impairment model to be used, in this case the discounted cash flow model;
b) Assessment and determination of the expected cash flows from the businesses;
c) Setting the appropriate terminal growth rates; and
d) Selection of the appropriate discount rates

In light of the significant management's judgement as noted above, we consider this to be a key audit matter.

We obtained the discounted cashflow models which assessed the carrying value of goodwill and performed the following procedures:

a) We assessed the appropriateness and mathematical accuracy of the impairment models used by the management;
b) We assessed the reasonableness of the key assumptions employed in the valuation models such as revenue growth rates, gross profit margins, discount rates and terminal growth rates and performed sensitivity analysis on the key assumptions;
c) We have involved our internal valuation specialists to review certain key assumptions of the discounted cashflow model;
d) We reviewed the discounted cash flow model for reasonableness and completeness.

We reviewed the adequacy of the disclosure in Note 12 to the financial statements with respect to the judgements applied by the management in assessing goodwill for impairment.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Auditor's Responsibilities for the Audit of 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on other legal and regulatory requirements

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

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

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

12 June 2020

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
		2019	2018
	Note	**S$'000**	S$'000
			(restated)
Continuing operations			
Revenue	4	**13,711**	12,191
Cost of sales		**(10,373)**	(8,844)
Gross profit		**3,338**	3,347
Other expenses			
Selling and marketing costs		**(920)**	(827)
Research and development costs		**(20)**	(73)
General and administrative costs		**(5,613)**	(3,428)
Finance costs, net	5	**(391)**	(229)
Other expenses	6	**(200)**	(92)
Loss before tax from continuing operations	7	**(3,806)**	(1,302)
Income tax expense	8	**(149)**	(350)
Loss from continuing operations, net of tax		**(3,955)**	(1,652)
Discontinued operations			
Loss from discontinued operations, net of tax	9	**(682)**	(4,427)
Loss for the year		**(4,637)**	(6,079)
Attributable to:			
Owners of the Company			
- Loss from continuing operations, net of tax	10	**(3,864)**	(1,614)
- Loss from discontinued operations, net of tax		**(682)**	(4,427)
		(4,546)	(6,041)
Non-controlling interests			
- Loss from continuing operations, net of tax		**(91)**	(38)
Loss for the year		**(4,637)**	(6,079)
Loss per share from continuing operations attributable to owners of the Company (cents per share)			
Basic and diluted	10	**(0.02)**	(0.01)
Loss per share (cents per share)			
Basic and diluted	10	**(0.02)**	(0.04)

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 2019

		Group	
		2019	2018
	Note	**S$'000**	S$'000
			(restated)
Loss for the year		**(4,637)**	(6,079)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**1**	62
Total comprehensive income for the year		**(4,636)**	(6,017)
Attributable to:			
Owners of the Company		**(4,545)**	(5,979)
Non-controlling interests		**(91)**	(38)
Total comprehensive income for the year		**(4,636)**	(6,017)
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax		**(3,863)**	(1,552)
- Total comprehensive income from discontinued operations, net of tax		**(682)**	(4,427)
Total comprehensive income for the year attributable to owners of the Company		**(4,545)**	(5,979)

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

BALANCE SHEETS
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	**2019 S$'000**	2018 S$'000 (Restated)	**2019 S$'000**	2018 S$'000 (Restated)
Non-current assets					
Property, plant and equipment	11	**5,948**	6,886	**–**	–
Intangible assets	12	**2,884**	3,137	**64**	64
Right-of-use assets	20	**1,239**	–	**–**	–
Investments in subsidiaries	13	**–**	–	**13,422**	13,422
		10,071	10,023	**13,486**	13,486
Current assets					
Inventories	14	**1,052**	3,716	**–**	–
Trade and other receivables	15	**4,195**	4,990	**145**	32
Contract assets	4	**–**	109	**–**	–
Prepayments and advances	16	**245**	139	**20**	7
Cash at bank and on hand	17	**2,305**	4,576	**100**	224
Tax recoverable		**59**	55	**–**	–
		7,856	13,585	**265**	263
Assets of disposal group classified as held for sale	9	**2,793**	–	**–**	–
		10,649	13,585	**265**	263
Current liabilities					
Provisions	18	**–**	103	**–**	–
Other liabilities	18	**2,847**	2,019	**1,682**	296
Trade and other payables	19	**11,987**	12,777	**11,021**	8,469
Contract liabilities	4	**106**	97	**–**	–
Income tax payable		**128**	208	**–**	–
Lease liabilities	20	**468**	283	**–**	–
Bank overdraft	17	**603**	740	**–**	–
Loans and borrowings	21	**202**	438	**–**	–
		16,341	16,665	**12,703**	8,765
Liabilities directly associated with disposal group classified as assets held for sale	9	**2,736**	–	**–**	–
		19,077	16,665	**12,703**	8,765
Net current liabilities		**(8,428)**	(3,080)	**(12,438)**	(8,502)
Non-current liabilities					
Trade and other payables	19	**–**	376	**–**	723
Lease liabilities	20	**224**	297	**–**	–
Loans and borrowings	21	**293**	435	**–**	–
Deferred tax liabilities	8	**444**	517	**–**	–
		961	1,625	**–**	723
Net assets		**682**	5,318	**1,048**	4,261
Equity attributable to owners of the Company					
Share capital	22	**148,841**	148,841	**148,841**	148,841
Foreign currency translation reserve	23	**(42)**	(43)	**–**	–
Merger reserves	23	**(2,136)**	(2,136)	**–**	–
Premium paid on acquisition of non- controlling interests		**(1,228)**	(1,228)	**–**	–
Accumulated losses		**(143,863)**	(139,317)	**(147,793)**	(144,580)
		1,572	6,117	**1,048**	4,261
Non-controlling interests		**(890)**	(799)	**–**	–
Total equity		**682**	5,318	**1,048**	4,261

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company								
2019 Group	**Share capital S$'000**	**Accumulated losses S$'000**	**Premium paid on acquisition of non-controlling interests S$'000**	**Merger reserve S$'000**	**Foreign currency translation reserve S$'000**	**Total reserves S$'000**	**Equity attributable to owners of the Company, Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
Opening balance at 1 January 2019	**148,841**	**(139,317)**	**(1,228)**	**(2,136)**	**(43)**	**(3,407)**	**6,117**	**(799)**	**5,318**
Loss for the year	–	(4,546)	–	–	–	–	(4,546)	(91)	(4,637)
Other comprehensive income									
Foreign currency translation	–	–	–	–	1	1	1	–	1
Other comprehensive income for the year, net of tax	–	–	–	–	1	1	1	–	1
Total comprehensive income for the year	–	(4,546)	–	–	1	1	(4,545)	(91)	(4,636)
Closing balance at 31 December 2019	**148,841**	**(143,863)**	**(1,228)**	**(2,136)**	**(42)**	**(3,406)**	**1,572**	**(890)**	**682**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company								
2018 Group	**Share capital S$'000**	**Accumulated losses S$'000**	**Premium paid on acquisition of non-controlling interests S$'000**	**Merger reserve S$'000**	**Foreign currency translation reserve S$'000**	**Total reserves S$'000**	**Equity attributable to owners of the Company, Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
Opening balance at 1 January 2018	142,351	(133,276)	(1,228)	(2,136)	(105)	(3,469)	5,606	(761)	4,845
Loss for the year	–	(6,041)	–	–	–	–	(6,041)	(38)	(6,079)
Other comprehensive income									
Foreign currency translation	–	–	–	–	62	62	62	–	62
Other comprehensive income for the year, net of tax	–	–	–	–	62	62	62	–	62
Total comprehensive income for the year	–	(6,041)	–	–	62	62	(5,979)	(38)	(6,017)
Contributions by and distributions to equity holders									
Issuance of new ordinary shares pursuant to acquisition of subsidiaries	6,500	–	–	–	–	–	6,500	–	6,500
Share issuance expenses	(10)	–	–	–	–	–	(10)	–	(10)
Total contributions by and distributions to equity holders	6,490	–	–	–	–	–	6,490	–	6,490
Closing balance at 31 December 2018	148,841	(139,317)	(1,228)	(2,136)	(43)	(3,407)	6,117	(799)	5,318

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company		
Company	**Share capital S$'000**	**Accumulated losses S$'000**	**Total equity S$'000**
At 1 January 2019	**148,841**	**(144,580)**	**4,261**
Loss for the year	**–**	**(3,213)**	**(3,213)**
Total comprehensive loss for the year	**–**	**(3,213)**	**(3,213)**
Closing balance at 31 December 2019	**148,841**	**(147,793)**	**1,048**
At 1 January 2018	142,351	(139,654)	2,697
Loss for the year	–	(4,926)	(4,926)
Total comprehensive loss for the year	–	(4,926)	(4,926)
Contributions by and distributions to equity holders			
Issuance of new ordinary shares pursuant to sale shares	6,500	–	6,500
Share issuance expenses	(10)	–	(10)
Total contributions by and distributions to equity holders	6,490	–	6,490
Closing balance at 31 December 2018	148,841	(144,580)	4,261

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019 **S$'000**	2018 S$'000 (restated)
Operating activities			
Loss before taxation from continuing operations		**(3,806)**	(1,302)
Loss before taxation from discontinued operations		**(679)**	(4,426)
Loss before tax, total		**(4,485)**	(5,728)
Adjustments for:			
Depreciation of property, plant and equipment	11	**708**	442
Depreciation of right-of-use assets from continuing operations	20	**439**	–
Depreciation of right-of-use assets from discontinued operations	20	**301**	–
Gain on disposal of property, plant and equipment from continuing operations	6	**(92)**	(28)
Gain on disposal of property, plant and equipment from discontinued operations		**–**	(53)
Impairment loss on property, plant and equipment	6	**5**	229
Impairment loss on right-of-use assets	6	**144**	–
Amortisation of intangible assets	12	**253**	–
Impairment on other receivables		**–**	16
Write back of impairment on trade receivables	15	**–**	(338)
Inventories written-down from continuing operations	14	**11**	130
Inventories written-down net from discontinued operations		**327**	278
Provisions	18	**77**	118
Interest income from continuing operations	5	**(30)**	(18)
Interest income from discontinued operations		**–**	(2)
Interest expense from continuing operations	5	**402**	241
Interest expense from discontinued operations	9	**22**	–
Loss on disposal of a subsidiary		**–**	2,580
Effect of unrealised exchange gain		**(35)**	(118)
Operating cash flows before changes in working capital		**(1,953)**	(2,251)
Changes in working capital			
(Increase)/decrease in trade and other receivables and contract assets		**(565)**	1,778
Decrease/(increase) in inventories		**1,496**	(1,561)
Decrease in trade and other payables, contract liabilities and other liabilities		**665**	683
Cash flows used in operations		**(357)**	(1,351)
Interest paid		**(177)**	(240)
Interest received		**30**	20
Income tax paid		**(319)**	(263)
Net cash flows used in operating activities		**(823)**	(1,834)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019 **S$'000**	2018 S$'000
Investing activities			
Purchase of property, plant and equipment [1]		**(807)**	(949)
Proceeds from disposal of property, plant and equipment		**120**	86
Purchase of right-of-use assets		**(9)**	–
Net cash outflow on disposal of a subsidiary	13	**–**	(211)
Net cash outflow on acquisition of subsidiaries	13	**–**	(220)
Net cash flows used in investing activities		**(696)**	(1,294)
Financing activities			
Payment of principal portion of lease liabilities	20	**(892)**	(23)
Repayments of bank borrowings	21	**(378)**	(164)
Loan from related parties		**–**	2,400
Amount due to a director		**800**	–
Net cash flows (used in)/generated from financing activities		**(470)**	2,213
Net decrease in cash and cash equivalents		**(1,989)**	(915)
Cash and cash equivalents at 1 January		**3,836**	4,799
Effects of exchange rate changes on cash and cash equivalents		**11**	(48)
Cash and cash equivalents at 31 December		**1,858**	3,836
Cash at bank and on hand	17	**2,305**	4,576
Bank overdraft	17	**(603)**	(740)
		1,702	3,836
Disposal group classified as held for sale	9	**156**	–
Cash and cash equivalents at 31 December		**1,858**	3,836

[1] Purchase of property, plant and equipment

Property, plant and equipment were acquired by means of:

Group	**2019** **S$'000**	2018 S$'000
Cash payments	**807**	949
Lease liabilities and other payables	**–**	8
	807	957

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

Advanced Systems Automation Limited (the "Company") was incorporated and domiciled in Singapore on 10 April 1986. The Company was admitted to the Official List of Stock Exchange of Singapore Dealing and Automated Quotation System on 22 July 1996 and was transited to a listing on Catalist with effect from on 4 January 2010.

The registered office of the Company and principal place of the business is located at Blk 25 Kallang Avenue #06-01 Kallang Basin Industrial Estate Singapore 339416.

The principal activity of the Company is investment holding. There have been no significant changes in the nature of the activity during the financial year.

The principal activities of the subsidiaries are disclosed in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

As at 31 December 2019, the Group and the Company had net current liabilities of S$8,428,000 (2018: S$3,080,000) and S$12,438,000 (2018: S$8,502,000) respectively and the Group had incurred net losses of S$4,637,000 (2018: S$6,079,000) for the year then ended. These factors may cast significant doubt about the Group's and Company's ability to continue as going concerns.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the Directors believe that a combination of generating positive cashflows from its business operations, availability of new loan facilities and payouts from the Jobs Support Scheme would allow the Group and Company to meet its short-term obligations as and when they fall due. In addition, three key shareholders of the Company have agreed not to recall the amounts due to themselves for the next twelve months from the date of the financial statements are authorised for issuance (Note 36) and a key shareholder has agreed to provide financial support of up to S$2,500,000, if required.

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

2.2 Adoption of new and amended standards and interpretations

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 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group except for the adoption of SFRS (I) 16 Leases described below.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.2 Adoption of new and amended standards and interpretations (Cont'd)

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption of SFRS(I) 16 as at 1 January 2019 is as follows:

Group	At 1.1.2019 (As previously reported) S$'000	SFRS(I) 16 adjustments S$'000	At 1.1.2019 (Restated) S$'000
Assets			
Property, plant and equipment	6,886	(1,101)	5,785
Right-of-use assets	–	2,236	2,236
	6,886	1,135	8,021
Liabilities			
Lease liabilities (Current)	283	514	797
Lease liabilities (Non-current)	297	621	918
	580	1,135	1,715

The Group has lease contracts for various items of machinery, motor vehicles, leasehold land and buildings. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.9 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.9 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.2 Adoption of new and amended standards and interpretations (Cont'd)

The Group also applied the available practical expedients wherein it:

- Using the lessee's incremental borrowing rate for the underlying assets
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of S$2,236,000 were recognised and presented separately in the balance sheet. This includes the leased assets recognised previously under finance leases of S$1,101,000 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of S$1,135,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Group	S$'000
Operating lease commitments as at 31 December 2018	876
Weighted average incremental borrowing rate as at 1 January 2019	4.03%
Discounted operating lease commitments as at 1 January 2019	843
Add:	
Commitments relating to leases previously classified as finance leases	580
Relating to discounted new leases not included in operating lease commitments as at 31 December 2018	292
Discounted operating lease commitments as at 1 January 2019, representing lease liabilities as at 1 January 2019	1,715

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:

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*	To be determined

The Group's management expects that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.3 Basis of consolidation, business combinations and goodwill

(a) 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.

(b) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.4 Foreign currency

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

(a) ***Transactions and balances***

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

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

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

(b) ***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.

2.5 Property, plant and equipment

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

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

Freehold land has infinite useful life and therefore is not depreciated.

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

Freehold buildings	-	50 years
Leasehold land and buildings	-	50 to 70 years or shorter of remaining leases terms and economic life
Machinery	-	5 to 10 years
Tools and equipment	-	3 to 10 years
Air conditioners	-	5 to 10 years
Computers	-	3 to 10 years
Other assets	-	3 to 10 years

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.6 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 indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2.7 Subsidiaries

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

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

2.8 Intangible assets

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

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

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

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

(a) ***Club membership***

Club membership is assessed to have an indefinite life and is stated at cost less impairment loss. Allowance is made for any impairment loss on the basis outlined in paragraph Note 2.6.

(b) ***Customer relationships***

Customer relationships were acquired in business combinations and are carried at cost less accumulated amortisation and any accumulated impairment losses. The customer relationships has a finite useful life and are amortised over the period of 7 years based on expected pattern of consumption of future economic benefits embodied in the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.8 Intangible assets (cont'd)

(c) ***Order backlog***

Order backlog was acquired in business combinations and are carried at cost less accumulated amortisation and any accumulated impairment losses. The order backlog has a finite useful life and are fully amortised during the year based on expected pattern of consumption of future economic benefits embodied in the asset.

2.9 Leases

Accounting policy beginning 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Machinery	-	10 years
Motor vehicles	-	5 years
Leasehold land and buildings	-	over lease term of 1 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.6.

(b) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

(c) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.9 Leases (cont'd)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policy prior to 1 January 2019

Group as a lessee

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.

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.

2.10 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of the Group's debt instruments is:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.10 Financial instruments (cont'd)

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.11 Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.12 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:

- Raw materials – purchase cost on first-in, first-out or weighted average basis according to the nature of the subsidiaries' operations;

- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

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

2.13 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.

2.14 Provisions

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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

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

Provision for reinstatement cost

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

2.15 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.16 Discontinued Operations and assets held for sale

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of the financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) Represents a separate major line of business or geographical area of operations
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical are of operations or
(c) Is a subsidiary acquired exclusively with a view to resale.

2.17 Revenue

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

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

(a) ***Sale of equipment and fabrication assembly of parts***

The Group provides designing and manufacturing automatic moulding machines for the semiconductor industry and precision engineering and fabrication assembly of parts for semi-conductor, consumer products and business equipment industries, which are reportable under Equipment Contract Manufacturing Services ("ECMS") segment (Note 32).

Revenue is recognised when the goods are delivered to the customer. Certain revenue recognition is based on criteria for customer acceptance. The goods are often sold with a right of return based on the aggregate sales over a period of time.

The Group does not offer customers the option to separately purchase extended warranty that provides the customer with a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specifications.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.18 Employee benefits

(a) ***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 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 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.

(b) ***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.

(c) ***Termination benefits***

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

2.18 Taxes

(a) ***Current income tax***

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

(b) ***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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.19 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of 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 each 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 in 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.

(c) ***Sales tax***

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.20 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.

2.21 Contingencies

A contingent liability is:

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

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) Determination of lease terms of contracts with extension options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately $9,000 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

(b) *Asset held for sale*

During the financial year ended 31 December 2019, the management of the Company does not intend to continue the operations of Microfits Pte. Ltd. ("MPL") and has planned for its disposal. Consequently, MPL has been classified as discontinued operations and disposal group held for sale. The management considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- Microfits Pte.Ltd. is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.

- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage.

For more details on the discontinued operation, refer to Note 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty

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

(a) ***Inventories written down***

The Group assesses at the end of each reporting period whether there is any objective evidence that its stocks is 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 inventories written down as at 31 December 2019 are disclosed in Note 14.

(b) ***Accounting for business combinations***

In accounting for business combinations, the fair value measurement of assets and liabilities identified during acquisition is based on management's assessment of fair values. Fair value is the estimated amount for which these assets and liabilities could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction and involved appropriate valuation techniques where fair value is not readily observable from market data. In prior year, the Group acquired several subsidiaries as disclosed in Note 13 to the financial statements. In current year, the Group has retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

(c) ***Impairment of goodwill and customer relationships***

As disclosed in Note 12 to the financial statements, the recoverable amounts of the cash generating units which goodwill and customer relationships have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements. The carrying amount of the Group's goodwill and customer relationships as at 31 December 2019 are S$1,462,000 (2018: S$1,462,000) and S$1,358,000 (2018: S$1,607,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE

a. *Disaggregation of revenue*

	ECMS	
	2019	2018
	S$'000	S$'000
Primary geographical markets		
South East Asia	**13,410**	12,170
America	**45**	6
Europe	**100**	4
Middle East	**88**	–
Others	**68**	11
	13,711	12,191
Timing of transfer of goods or services		
At a point in time	**13,711**	12,191
	13,711	12,191

b. *Contract balances*

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2019	2018
	S$'000	S$'000
Current		
Receivables from contracts with customers (Note 15)	**3,111**	3,973
Contract assets	**–**	109
Contract liabilities	**106**	97

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date for sale of fabricated metal products. Contract assets are transferred to trade receivables when the rights become unconditional. There was no allowance for expected credit losses for contract assets.

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of fabricated metal products. Contract liabilities are recognised as revenue as the Group completes their obligation for the sale.

5. FINANCE COSTS, NET

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Finance income in respect of :-		
- deposits with banks and financial institutions	**30**	18
Finance costs in respect of :-		
- bank borrowings	**(110)**	(20)
- leases liabilities	**(47)**	(12)
- bank charges	**(19)**	(6)
- amounts due to related parties	**(224)**	(209)
- amount due to a director	**(21)**	–
	(391)	(229)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. OTHER EXPENSES, NET

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Gain on disposal of property, plant and equipment	**92**	28
Impairment loss on property, plant and equipment (Note 11)	**(5)**	(174)
Impairment loss on right-of-use assets (Note 20)	**(144)**	–
Net foreign exchange (loss)/gain	**(143)**	54

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Audit fees:		
- Auditor of the Company	**(263)**	(77)
- Other auditors	**(74)**	(10)
Non-audit fees:		
- Auditor of the Company	**(6)**	(6)
- Other auditors	**(10)**	(2)
Amortisation of intangible assets (Note 12)	**(253)**	–
Write back of allowance on trade receivables (Note 15)	**–**	(338)
Transactions cost incurred in a business combination	**–**	(138)
Consultancy fees	**(279)**	(412)
Employee benefits expense (Note 26)	**(5,880)**	(2,952)
Inventories recognised as an expense in cost of sales (Note 14)	**(4,322)**	(4,995)
Reversal of write-down of inventories (Note 14)	**8**	34
Inventories written-down (Note 14)	**(19)**	(164)
Operating lease expense	**(7)**	(350)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:-

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Current income tax – continuing operations:-		
Current income tax	**(280)**	(293)
(Under)/over provision in respect of prior years	**(8)**	14
	(288)	(279)
Deferred income tax – continuing operations:-		
Origination and reversal of temporary difference	**47**	(52)
Over/(under) provision in respect of prior years	**92**	(17)
	(149)	(348)
Withholding tax on payments to non-residents	**–**	(2)
Income tax attributable to continuing operations	**(149)**	(350)
Income tax attributable to discontinued operations	**(3)**	(1)
Income tax expense recognised in profit and loss	**(152)**	(351)

Relationship between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Loss before tax from continuing operations	**(3,806)**	(1,302)
Loss before tax from discontinued operations	**(679)**	(4,426)
Accounting loss before tax	**(4,485)**	(5,728)
Tax calculated at a tax rate of 17% (2018: 17%)	**762**	974
Adjustments:		
Expenses not deductible for tax purposes	**(706)**	(994)
Income not subject to tax	**–**	166
Differential tax rate of overseas subsidiaries	**(37)**	(117)
Utilisation of current year reinvestment allowance	**–**	111
Deferred tax assets not recognised	**(220)**	(464)
Tax exemption	**37**	7
Tax losses not available for future utilisation	**(72)**	(29)
Withholding tax on payments to non-residents	**–**	(2)
Under/(over) provision in respect of prior years	**84**	(3)
Income tax expense	**(152)**	(351)

The corporate income tax rate applicable to Singapore companies of the Group is 17% (2018: 17%). The corporate income tax rates applicable to the People's Republic of China ("PRC") and Malaysia entities are 25% (2018: 25%) and 24% (2018: 18-24%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE (CONT'D)

Deferred taxation

	Balance Sheet		Income statement	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
- Acquisition of subsidiaries	**231**	568	**100**	–
- Differences in depreciation	**283**	80	**36**	(78)
- Inventories written down	**(16)**	(17)	**–**	–
- Provision of staff related costs	**(67)**	(68)	**–**	–
- Others	**13**	(46)	**3**	9
Deferred tax expense/(benefit)			**139**	(69)
Net deferred tax liabilities	**444**	517		

At the end of the current and previous financial years, certain subsidiaries of the Group (primarily in Malaysia) had undistributed earnings of S$6,676,000 (2018: S$6,311,000). 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.

As at 31 December 2019, the Group has unutilised tax losses and unabsorbed capital allowances of S$37,023,000 (2018: S$47,677,000) available for set-off against future assessable income subject to agreement with the tax authorities on the relevant tax regulations. The deferred tax asset arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the accounting policy in Note 2.19(b) to the financial statements.

At the end of the reporting period, there are no deferred tax liabilities on net investment in subsidiaries.

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS ASSETS HELD FOR SALE

(a) On 28 September 2018, the Company announced that it had entered into a sale and purchase agreement in relation to the disposal of the entire issued and paid-up share capital of Microfits (Beijing) Technology Co., Ltd ("MBT"). The effects of sale relating to MBT are in Note 13.

(b) During the financial year, the directors of the Company made a decision to wind down or dispose Microfits Pte. Ltd. ("MPL") as MPL has been under performing in the last few years. MPL was previously reported in the Equipment segment. As at 31 December 2019, the assets and liabilities related to MPL have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale", and its results are presented separately on profit or loss as "Loss from discontinued operations, net of tax".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS ASSETS HELD FOR SALE (CONT'D)

On 29 February 2020, the Company announced that it had entered into a letter of intent to explore, with a potential buyer, on the proposed disposal of the entire issued and paid-up share capital of MPL. At the date of this report, the negotiations for the proposed disposal of MPL are at an advanced stage.

Balance sheet disclosures

The major classes of assets and liabilities of MPL classified as held for sale as at 31 December are as follows:

	2019 **S$'000**
Right-of-use assets	445
Inventories	830
Trade and other receivables	1,322
Prepayments and advances	40
Cash at bank and on hand	156
Total assets	2,793
Provisions	126
Trade and other payables	1,650
Lease liabilities	452
Other liabilities	508
Total liabilities	2,736

Income statement disclosures

The results of MBT and MPL for the year are presented as follows:

	Group	
	2019 **S$'000**	2018 S$'000 (restated)
Revenue	**4,974**	14,716
Cost of sales	**(3,074)**	(12,323)
Gross profit	**1,900**	2,393
Selling and marketing costs	**(628)**	(1,259)
Research and development costs	**(708)**	(733)
General and administrative costs	**(1,236)**	(2,260)
Foreign exchange gain	**15**	13
Finance costs, net	**(22)**	–
Impairment loss	–	(2,580)
Loss before taxation from discontinued operation	**(679)**	(4,426)
Income tax expense	**(3)**	(1)
Loss from discontinued operation, net of tax	**(682)**	(4,427)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS ASSETS HELD FOR SALE (CONT'D)

Cash flow statement disclosures

The cash flows attributable to MBT and MPL are as follows:

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Operating	**(749)**	(2,261)
Investing	–	(53)
Financing	**150**	283
Net cash outflows	**(599)**	(2,031)

Loss per share disclosures

	Group	
	2019	2018
		(restated)
Loss per share from discontinued operations attributable to owners of the Company (cents per share)		
Basic	**(0.003)**	(0.027)
Diluted	**(0.003)**	(0.027)

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

10. LOSS PER SHARE

Continuing operations

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

The following tables reflect the income and share data used in the computation of basic and diluted loss per share for the year ended 31 December.

	Group	
	2019	2018
	S$'000	S$'000
		(restated)
Loss after income tax and attributable to owners of the Company for basic and diluted loss per share	**(3,864)**	(1,614)
Weighted average number of ordinary shares in issue applicable to basic and diluted loss per share	**22,324,126,058**	16,322,756,195

The weighted average number of ordinary shares for prior year included the issuance of new ordinary shares in relation to the sale shares that was completed on 4 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land* and buildings S$'000	Leasehold land and buildings S$'000	Machinery S$'000	Tools and equipment S$'000	Air con-ditioners S$'000	Computers S$'000	Other assets S$'000	Total S$'000
Cost								
At 1 January 2018	1,236	–	23,222	919	134	2,492	1,709	29,712
Currency realignment	–	5	(220)	(17)	–	(13)	(32)	(277)
Additions	–	–	830	–	3	26	98	957
Acquisition of subsidiaries^ (Note 34)	–	2,460	2,178	–	2	12	25	4,677
Disposal of subsidiary	–	–	(7,640)	(501)	–	(373)	(1,011)	(9,525)
Disposals	–	–	(1,019)	–	–	(3)	(8)	(1,030)
Written-off	–	–	(1,660)	–	–	(53)	(1)	(1,714)
At 31 December 2018 and 1 January 2019 (as previously stated)	**1,236**	**2,465**	**15,691**	**401**	**139**	**2,088**	**780**	**22,800**
- Reclassification to right-of-use assets on adoption of SFRS(I) 16	**–**	**–**	**(1,112)**	**–**	**–**	**–**	**–**	**(1,112)**
At 1 January 2019 (as restated)	**1,236**	**2,465**	**14,579**	**401**	**139**	**2,088**	**780**	**21,688**
Currency realignment	**(1)**	**(2)**	**(16)**	**–**	**–**	**2**	**(2)**	**(19)**
Additions	**–**	**37**	**748**	**–**	**5**	**5**	**12**	**807**
Reclassification	**–**	**–**	**72**	**–**	**–**	**32**	**–**	**104**
Attributable to discontinued operations (Note 9)	**–**	**–**	**(4)**	**(401)**	**(26)**	**(1,892)**	**(148)**	**(2,471)**
Disposals	**–**	**–**	**(445)**	**–**	**–**	**(1)**	**(11)**	**(457)**
Written-off	**–**	**–**	**–**	**–**	**(2)**	**(12)**	**–**	**(14)**
At 31 December 2019	**1,235**	**2,500**	**14,934**	**–**	**116**	**222**	**631**	**19,638**
Accumulated depreciation and impairment loss								
At 1 January 2018	197	–	22,379	851	133	2,473	1,665	27,698
Currency realignment	–	–	(215)	(17)	–	(13)	(32)	(277)
Charge for the year	17	3	360	20	1	14	27	442
Impairment loss	–	–	151	48	–	13	17	229
Disposal of subsidiary	–	–	(7,608)	(501)	–	(373)	(957)	(9,439)
Disposals	–	–	(1,014)	–	–	(3)	(8)	(1,025)
Written-off	–	–	(1,660)	–	–	(53)	(1)	(1,714)
At 31 December 2018 and 1 January 2019 (as previously stated)	**214**	**3**	**12,393**	**401**	**134**	**2,058**	**711**	**15,914**
- Reclassification to right-of-use assets on adoption of SFRS(I) 16	**–**	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**
At 1 January 2019 (as restated)	**214**	**3**	**12,382**	**401**	**134**	**2,058**	**711**	**15,903**
Currency realignment	**–**	**1**	**(15)**	**–**	**1**	**1**	**–**	**(12)**
Charge for the year	**17**	**44**	**579**	**–**	**3**	**40**	**25**	**708**
Impairment loss	**–**	**–**	**3**	**–**	**–**	**2**	**–**	**5**
Attributable to discontinued operations (Note 9)	**–**	**–**	**(4)**	**(401)**	**(26)**	**(1,892)**	**(148)**	**(2,471)**
Disposals	**–**	**–**	**(425)**	**–**	**–**	**(1)**	**(3)**	**(429)**
Written-off	**–**	**–**	**–**	**–**	**(2)**	**(12)**	**–**	**(14)**
At 31 December 2019	**231**	**48**	**12,520**	**–**	**110**	**196**	**585**	**13,690**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Group	Freehold land* and buildings S$'000	Leasehold land and buildings S$'000	Machinery S$'000	Tools and equipment S$'000	Air con-ditioners S$'000	Computers S$'000	Other assets S$'000	Total S$'000
Net book value								
At 31 December 2018	1,022	2,462	3,298	–	5	30	69	6,886
At 31 December 2019	**1,004**	**2,452**	**2,414**	**–**	**6**	**26**	**46**	**5,948**

* Includes freehold land at cost of S$391,000 (2018: S$391,000).

Other assets comprise renovation, furniture and fittings, motor vehicles and office equipment.

a) During the financial year, the cash outflow on acquisition of property, plant and equipment amounted to S$807,000 (2018: S$949,000).

Assets under construction

As at 31 December 2018, the Group's property, plant and equipment included S$149,000 which related to expenditure for a machinery in the course of construction. There were no assets under construction for the financial year ended 31 December 2019.

Assets pledged as security

The leasehold land and buildings with carrying value of S$2,452,000 (2018: S$2,462,000) are mortgaged to secure bank facilities. The buildings are collaterised for bank borrowings as at end of reporting period Note 21.

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment as a subsidiary of the Group within the ECMS segment had been persistently making losses. An impairment loss of S$5,000 (2018: S$229,000) representing the write-down of these property, plant and equipment in full was recognised in the "general and administrative costs" line item of the consolidated income statement for the financial year ended 31 December 2019. The recoverable amount of the production equipment was based on its fair value less cost of disposal.

Company	Computers S$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**2**
Accumulated depreciation and impairment loss	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**2**
Net carrying amount	
At 31 December 2018 and 31 December 2019	**–**

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FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS

Group	Goodwill S$'000	Club memberships S$'000	Customer relationships S$'000	Order Backlog S$'000	Total S$'000
Cost					
At 1 January 2018	1,705	197	459	–	2,361
Acquisition of subsidiaries^ (Note 13)	1,462	–	1,607	4	3,073
At 31 December 2018, 1 January 2019 and 31 December 2019	**3,167**	**197**	**2,066**	**4**	**5,434**
Accumulated amortisation and impairment loss					
At 1 January 2018, 31 December 2018 and 1 January 2019	**1,705**	**133**	**459**	**–**	**2,297**
Charge for the year	**–**	**–**	**249**	**4**	**253**
At 31 December 2019	**1,705**	**133**	**708**	**4**	**2,550**
Net carrying amount					
At 31 December 2018	1,462	64	1,607	4	3,137
At 31 December 2019	**1,462**	**64**	**1,358**	**–**	**2,884**

^ Upon the completion of purchase price allocation, the Group has restated the order backlog and customer relationships relating to Yumei Group acquisition as disclosed in Note 34 to the financial statements.

Club memberships

Company	Club memberships S$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	197
Accumulated impairment loss	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	133
Net carrying amount	
At 31 December 2018 and 31 December 2019	64

Customer relationships

Customer relationships have remaining amortisation period of 6 years (2018: 7 years). The amortisation of customer relationships is included in the "selling and marketing costs" line item in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS (CONT'D)

Goodwill

Goodwill of S$1,705,000 acquired through business combinations that were allocated to the ECMS CGU had been fully impaired in prior years.

The acquisition of Yumei Group (Note 13) was completed during the financial year ended 31 December 2018. The initial purchase price allocation to identifiable net assets acquired was assessed and finalised during the financial year ended 31 December 2019. The changes in the fair values of the net assets acquired were retrospectively recognised in financial year ended 31 December 2018 and the effect of the adjustments was disclosed in Note 13. The goodwill of S$1,462,000 is allocated entirely to the ECMS segment, which comprised the CGU of the subsidiaries acquired.

Impairment testing of goodwill and customer relationships

The recoverable amounts of Yumei Group have been determined based on the value-in-use calculations using a cash flow projection 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:

	2019
Pre-tax discount rate	**12.1%**
Terminal growth rates	**0.5%**

Key assumptions used in the value in use calculations

The calculation of value in use for the CGU is most sensitive to the following assumptions:

a) Budgeted gross margins- Gross margin is based on past performance and management's expectation of market developments

b) Budgeted sales growth and terminal growth rate- The forecasted growth rate is based on industry growth forecasts and not exceeding the average long-term growth rate of the business segment which the CGU operates in.

c) Pre-tax discount rate- The discounted rates were pre-tax and reflected specific risks relating to the business segments which the CGU operates in.

Sensitivity to changes in assumptions

Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	S$'000	S$'000
		(restated)
Unquoted shares, at cost^	**15,613**	15,613
Issuance of shares for acquisition of subsidiaries	**6,500**	6,500
Impairment losses	**(8,691)**	(8,691)
	13,422	13,422

^ Upon the completion of purchase price allocation, the Group has restated the investments relating to Yumei Group acquisition as disclosed in Note 34 to the financial statements.

The Group has the following significant investment in subsidiaries:-

	Name of company (Principal place of business)	Principal activities	Proportion of ownership interest 2019 %	2018 %
	Held by the Company			
1	Microfits Pte Ltd (Singapore)	Design and manufacture of automatic moulding machines and other back-ended assembly equipment for the semiconductor industry	**100**	100
3	Dragon Microfits Sdn. Bhd. (Malaysia)	Design of precision tools, dies and mould	**100**	100
2	Emerald Precision Engineering Sdn. Bhd. (Malaysia)	Fabrication of tooling, dies and related moulding of spare parts and other related businesses	**100**	100
4	ASA Multiplate (M) Sdn. Bhd. (Malaysia)	Provision of thermal coating, surface finishing of electronics products and specialised electroplating of semiconductor products services	**90**	90
1	Pioneer Venture Pte Ltd (Singapore)	Contract manufacturing solutions of fabricated metal products	**100**	100
2	Yumei Technologies Sdn. Bhd. (Malaysia)	Manufacturing of die-casting products	**100**	100
2	Yumei REIT Sdn. Bhd. (Malaysia)	Investment holding	**100**	100

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

1 Audited by Ernst & Young LLP, Singapore.
2 Audited by member firms of Ernst & Young Global.
3 Audited by KCK Associates, Penang, Malaysia.
4 Audited by CHI-LLTC, Penang, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Loss allocated to NCI during the reporting period S$'000	Accumulated NCI at end of reporting period S$'000
31 December 2019:				
ASA Multiplate (M) Sdn. Bhd.	Malaysia	**10%**	**(91)**	**(890)**
31 December 2018:				
ASA Multiplate (M) Sdn. Bhd.	Malaysia	10%	(38)	(799)

There were no dividends paid to the above NCI during the years ended 31 December 2019 and 31 December 2018.

Summarised financial information about subsidiary 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.

	ASA Multiplate	
	2019	2018
	S$'000	S$'000
Summarised balance sheet		
Current and non-current		
Assets	**374**	1,053
Liabilities	**(9,276)**	(9,044)
Net current and non-current liabilities	**(8,902)**	(7,991)
Summarised income statement		
Revenue	**838**	2,472
Loss before income tax	**(910)**	(384)
Loss for the year	**(910)**	(384)
Summarised statement of other comprehensive income		
Loss and total comprehensive income for the year	**(910)**	(384)
Other summarised information		
Net cash flows used in operations	**(30)**	(347)
Acquisition of property, plant and equipment	**(5)**	(17)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

On 8 April 2018, the Company entered into a sale and purchase agreement with Mr. Seah Chong Hoe (the "Vendor") to acquire the entire issued and paid-up share capital of (i) Yumei Technologies Sdn. Bhd. ("Yumei Tech"), (ii) Yumei REIT Sdn. Bhd. ("Yumei REIT") and (iii) Pioneer Venture Pte. Ltd. ("PVPL"), collectively known as the "Yumei Group" for a total purchase consideration of S$10,000,000. The acquisition was completed on 4 December 2018.

In the prior year, the goodwill relating to this acquisition was provisionally determined as the purchase price allocation ("PPA") exercise to determine the identifiable assets acquired and liabilities assumed was not completed as at 31 December 2018. The PPA exercise was completed during the financial year ended 31 December 2019 and resulted in a restatement as disclosed below.

The Group acquired Yumei Group to improve its financial performance and achieve profitability. It will also result in the contribution of new skills sets in die-casting and plastic injection moulding, enabling the Group to offer a more comprehensive value proposition to a broader customer base across a wider region.

The fair value of the identifiable assets acquired and liabilities assumed of Yumei Group were:

	S$'000 (restated)
Property, plant and equipment	4,781
Cash at bank and on hand	581
Trade receivables	1,541
Contract assets	154
Other receivables, prepayment and advances	157
Amount due from directors and related parties	856
Inventories	1,636
	9,706
Trade payables	850
Contract liabilities	157
Other payables and accruals	435
Bank overdraft	791
Interest-bearings loan and borrowings	1,010
Lease creditors	592
Provision for taxation	22
Deferred tax liabilities	568
	4,425
Total identifiable net assets at fair value	5,281
Goodwill arising from acquisition	1,462
Customer relationships arising from acquisition	1,607
Order backlog arising from acquisition	4
	8,354
Consideration transferred for the acquisition	
Equity instruments issued, net of incidental expenses	6,490
Fair value of deferred cash settlement	1,854
Total consideration transferred	8,344
Effect of the acquisition on cash flows	
Total consideration for 100% equity interest acquired	8,344
Less: non-cash consideration	(8,354)
Less: Cash and cash equivalents of subsidiaries acquired	(210)
Net cash outflow on acquisition	(220)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (Cont'd)

Equity instruments issued as part of consideration transferred

In prior year, ASA has issued and allotted 6,500,000,000 new shares in the capital of the Company at an issue price of S$0.001 per share having an aggregate value of S$6,500,000 (the "Consideration Shares") to the Vendor. Each of the Consideration Shares has been allotted and issued to the Vendor and credited as fully paid.

The Vendor has undertaken to ASA that the aggregated amount of profits (before payment of taxes) of Yumei Group for 2018 and 2019 is not less than S$3,000,000 ("Guaranteed Profit") based on the consolidated audited financial statements of Yumei Group for (i) the financial year commencing 1 March 2018 and ending 28 February 2019 and (ii) the financial year commencing 1 March 2019 and ending 29 February 2020 (the "Profit Guarantee").

During the period of the Profit Guarantee, the Vendor is restricted from assigning, transferring, creating an encumbrance over a value of S$3,000,000 (the "Restricted Shares") of the Consideration Shares as at the issue price.

In the event that the actual profit is less than Guaranteed Profit (the "Shortfall"), the Vendor shall be deemed to appoint the Company to act on its behalf to complete any sale and transfer of the Restricted Shares in order to recover the Shortfall. In addition, if the Company is unable to recover the Shortfall from the sale of all the Consideration Shares, the Vendor will pay the difference between the shortfall and the amount recovered from the sale of all the Consideration Shares. In the current year, the Company has retrospectively adjusted the amount due to the Vendor by $1,277,000 for the expected shortfall through deferred cash settlement (Note 19).

Transaction costs

Transaction costs related to the acquisition of S$138,000 have been recognised in the "General and Administrative costs" line item in the consolidated income statement for the year ended 31 December 2018.

Goodwill arising from acquisition

The goodwill of S$1,462,000 comprises the fair value adjustments to the land and building based on indicative open market value amounted to S$2,461,000 as at 26 February 2018 as advised by the independent professional valuer, and inventories amounted to S$1,636,000 in accordance with SFRS(I) 13 Fair value measurement. Goodwill is allocated entirely to the subsidiaries acquired.

Disposal of a subsidiary

On 28 September 2018, the Company entered into a sale and purchase agreement with Gao Xi Guo to dispose of the entire issued and paid-up share capital of its wholly-owned subsidiary, Microfits (Beijing) Technology Co., Ltd ("MBT"), at its carrying value, for a consideration of RMB1. The disposal consideration was fully settled in cash. The sale was completed on 28 September 2018, on which date control of MBT passed to the acquirer. Its results have been reclassified as discontinued operations in 2018 (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Disposal of a subsidiary

The value of assets and liabilities of MBT recorded in the consolidated financial statements as at 28 September 2018, and the effects of the disposal were:

	2018 **S$'000**
Property, plant and equipment	86
Inventories	2,503
Trade and other receivables	6,069
Prepayment and advances	228
Cash and cash equivalents	211
	9,097
Trade and other payables	(6,085)
Due to related companies	(580)
Carrying value of net assets	2,432
Cash and cash equivalents of the subsidiary	211
Net cash outflow	(211)
Loss on disposal:	
Net assets derecognised	(2,432)
Realisation of translation reserve	(148)
Loss on disposal	(2,580)

14. INVENTORIES

	Group	
	2019 **S$'000**	2018 S$'000 (restated)
Balance sheet		
Raw materials	**178**	649
Work-in-progress	**374**	2,358
Finished goods (at lower of cost and net realisable value)	**492**	493
Trading inventories (at lower of cost and net realisable value)	**8**	216
	1,052	3,716
Consolidated income statement		
Inventories recognised as an expense in cost of sales	**4,322**	4,995
Inclusive of the following charge/(credit) :-		
- Inventories written-down	**19**	164
- Reversal of write-down of inventories	**(8)**	(34)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in the current financial year.

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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Trade and other receivables (current):				
Trade receivables	**3,111**	3,973	**–**	–
Amounts due from subsidiaries (Non-trade)	**–**	–	**110**	30
Amounts due from a related party				
– Non-trade	**730**	730	**–**	–
Deposits	**150**	239	**–**	–
Other receivables	**204**	48	**35**	2
Total trade and other receivables (current and non-current)	**4,195**	4,990	**145**	32
Add: Cash and cash equivalents (Note 17)	**2,305**	4,576	**100**	224
Total financial assets carried at amortised cost	**6,500**	9,566	**245**	256

Trade receivables

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

Related party balances

- The amounts due from subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash. Included in amounts due from subsidiaries is an amount of S$nil (2018: S$5,000) denominated in US dollars ("USD").

- Amount due from a related party is unsecured, interest free and is repayable on demand in cash.

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

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
US Dollars	**1,457**	1,798	**–**	5
Malaysian Ringgit	**1,769**	1,474	**–**	–

As at 31 December 2019, the Company has provided an allowance of S$15,452,000 (2018: S$14,972,000) for impairment of amounts due from subsidiaries with a nominal amount of S$15,562,000 (2018: S$15,002,000).

Expected credit losses

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

Group	**2019**	2018
	S$'000	S$'000
Movement in allowance accounts		
At 1 January	**20**	359
Write back of allowance	**–**	(338)
Written off	**(21)**	–
Currency realignment	**1**	(1)
At 31 December	**–**	20

NOTES TO THE FINANCIAL STATEMENTS

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16. PREPAYMENTS AND ADVANCES

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Prepayments	**74**	73	**20**	7
Advances	**171**	66	**–**	–
	245	139	**20**	7

Advances relate mainly to advance payments made to suppliers of goods and professional services.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Cash at banks and on hand	**2,305**	4,576	**100**	224
Bank overdraft (Note 21)	**(603)**	(740)	**–**	–
Cash and cash equivalents	**1,702**	3,836	**100**	224

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

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
US Dollars	**468**	723	**2**	2
Malaysian Ringgit	**1,266**	2,435	**–**	–

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

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18. OTHER LIABILITIES AND PROVISIONS

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Accrued operating expenses	**2,847**	2,019	**1,682**	296

	Group		
	Warranties	Reinstatement Cost	Total
	S$'000	S$'000	S$'000
At 1 January 2018	108	–	108
Arose during the financial year	58	60	118
Utilised	(123)	–	(123)
At 31 December 2018 and 1 January 2019	**43**	**60**	**103**
Arose during the financial year	**77**	–	**77**
Utilised	**(54)**	–	**(54)**
Assets held for sale (Note 9)	**(66)**	**(60)**	**(126)**
At 31 December 2019	**–**	**–**	**–**

Warranties

The Group provides a one-year warranty on certain products under which faulty products are repaired or replaced. The amount of the accrual is based on the sales volume and past experience with the level of repairs and returns.

Reinstatement cost

Provision for reinstatement costs is recognised when the Group enters into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
		(restated)		(restated)
Trade and other payables (current):				
Trade payables	**1,033**	3,279	**122**	60
Other creditors	**771**	622	**–**	–
Customer deposits	**30**	574	**–**	–
Deferred cash settlement	**1,854**	1,396	**2,223**	1,500
Amount due to a director	**821**	–	**821**	–
Amounts due to subsidiaries (Non-trade)	**–**	–	**809**	599
Amounts due to related parties (Non-trade)	**7,478**	6,906	**7,046**	6,310
Total trade and other payables (current)	**11,987**	12,777	**11,021**	8,469
Other payables (non-current):				
Deferred cash settlement	**–**	376	**–**	723
Total trade and other payables (current and non-current)	**11,987**	13,153	**11,021**	9,192
Add:				
- Other liabilities (Note 18)	**2,847**	2,019	**1,682**	296
- Loans and borrowings (Note 21)	**1,098**	1,613	**–**	–
- Lease liabilities (Note 20)	**692**	580	**–**	–
Total financial liabilities carried at amortised cost	**16,624**	17,365	**12,703**	9,488

Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 – 120 days' terms.

Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash. Included in amounts due to subsidiaries is an amount of S$244,000 (2018: S$247,000) denominated in USD.

Amount due to a director

Amounts due to a director, who is also a shareholder of the Company, are unsecured, bear an interest of 5% per annum, repayable on demand and are to be settled in cash.

Amounts due to related parties

Amounts due to related parties (corporate shareholder of the Company) are interest free, unsecured, repayable on demand and to be settled in cash except for outstanding balance of S$6,632,000 (2018: S$6,291,000) which bears effective interest rates ranging from 3.24% to 3.39% (2018: 3.39% to 5.33%) per annum, is repriced on a quarterly basis.

Deferred cash settlement

This relates to an amount owing to Mr. Seah Chong Hoe (shareholder and Chief Operating Officer of the Company) upon the acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

19. TRADE AND OTHER PAYABLES (CONT'D)

			---------------Non-cash changes---------------			
	2018	**Cash flow**	**Interest**	**Foreign exchange movement**	**Management fees and recharges**	**2019**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Amounts due to related parties	6,906	–	224	–	348	7,478

			---------------Non-cash changes---------------			
	2017	**Cash flow**	**Acquisition**	**Foreign exchange movement**	**Offsetting of receivables against payables**	**2018**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Amounts due to related parties	4,839	2,400	–	–	(333)	6,906

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

	Group		**Company**	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
US Dollars	**19**	870	**–**	–
Malaysian Ringgit	**1,585**	2,927	**–**	–

20. LEASES

Group as a lessee

The Group has lease contracts for various items of machinery, motor vehicles and premises used in its operations which generally have lease terms between 1 to 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the financial year:

	Group			
	Machinery	**Motor vehicles**	**Leasehold land and building**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
At 1 January 2019 (Note 2.2)	1,101	–	1,135	2,236
Reclassified to assets held for sale	–	–	(746)	(746)
Additions	–	42	290	332
Depreciation from continuing operations	(128)	(6)	(305)	(439)
Impairment	–	–	(144)	(144)
At 31 December 2019	973	36	230	1,239

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. LEASES (CONT'D)

Group as a lessee (Cont'd)

The carrying amounts of lease liabilities and the movements during the financial year, and a reconciliation of liabilities arising from the Group's financing activities are as follows:

	Group S$'000
At 1 January 2019 (Note 2.2)	1,715
Additions	321
Accretion of interest	69
Cash flows	
Payment of principal portion	(892)
Interest paid from continuing operations	(47)
Interest paid from discontinued operations	(22)
Attributable to discontinued operations (Note 9)	(452)
At 31 December 2019	692
Current	468
Non-Current	224
	692

The following are the amounts recognised in profit or loss:

	Group S$'000
Depreciation of right-of-use assets from continuing operations	439
Depreciation of right-of-use assets from discontinued operations	301
Impairment loss on right-of-assets from continuing operations	144
Interest expense on lease liabilities from continuing operations	47
Interest expense on lease liabilities from discontinued operations	22
Expense relating to leases of low-value assets and short-term leases	7
Total amounts recognised in profit or loss	960

The Group had total cash outflows for leases of S$961,000 (2018: S$34,000) in 2019.

The Group does not have lease contracts that contain variable lease payments. The following provides information on the Group's lease payments.

	Group Total S$'000
2019	
Fixed rent payment	629

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. LEASES (CONT'D)

Group as a lessee (Cont'd)

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 2.2).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Group
	Within five years S$'000
2019	
Extension options expected not to be exercised	9

The future minimum lease payments under finance leases together with present value of the net minimum lease payments in 2018 are disclosed in Note 25(b).

Group as lessor

The Group acts as an intermediate lessor under arrangements whereby it subleases out certain premises for monthly lease payments. The Group leases certain premises under lease agreement. These leases have terms of 3 years. Future minimum rentals receivable under non-cancellable operating lease as at 31 December are as follows:

	Group	
	2019 S$'000	2018 S$'000
Within one year	**89**	–

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

			------------------Non-cash changes-----------------			
	2018 S$'000	**Cash flow** S$'000	**SFRS(I) 16 adoption** S$'000	**Movement** S$'000	**Reclassification to assets held for sale** S$'000	**2019** S$'000
Lease liabilities	580	(892)	1,135	321	(452)	692

			--------Non-cash changes--------		
	2017 S$'000	**Cash flow** S$'000	**Acquisition** S$'000	**Other** S$'000	**2018** S$'000
Lease liabilities	9	(23)	593	1	580

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

21. LOANS AND BORROWINGS

	Interest rate (Per annum)	Maturity	Group 2019 S$'000	Group 2018 S$'000
Current liabilities:				
Bank overdrafts	BLR + 0.75%	On demand	**603**	740
Trust receipts	BLR + 1.75%	On demand	**61**	53
Secured loan	BLR + 1.30%	2020	**28**	27
Unsecured loan[2]	BLR + 1.50%	On demand	**–**	93
Unsecured loan[3]	BTFBR[1] + 1.00%	2020	**113**	111
Unsecured loan[4]	9.10% (2018: 9.10%)	2019	**–**	69
Unsecured loan[5]	6.25% (2018: 6.25%)	2019	**–**	30
Unsecured loan[5]	6.99% (2018: 6.99%)	2019	**–**	55
			805	1,178
Non-current liabilities:				
Secured loan	BLR + 1.30%	2027	**293**	322
Unsecured loan[3]	BTFBR[1] + 1.00%	2020	**–**	113
Total loan and borrowings			**1,098**	1,613

[1] BTFBR is Business Term Financing Board Rate

<u>Bank overdrafts</u>

Bank overdrafts are denominated in MYR, bear interest at 0.75% (2018: 0.75%) above the bank's base lending rate ("BLR") from time to time and are secured over certain properties.

<u>Trust receipts</u>

Trust receipts are drawn for a period of up to 120 days which are renewable upon maturity and bear interest at 8.51% (2018: 8.76%) per annum. The loan is secured by a fixed charge over certain properties.

<u>Secured loan</u>

The term loan is repayable in monthly instalment, bear interest at 5.46% (2018: 5.71%) and mature on 2027. The loan is secured by the following:

(i) by way of fixed charge over the long leasehold land and building of a related company;

(ii) by joint and several guarantee of certain directors of a subsidiary; and

(iii) by corporate guarantee from a subsidiary

<u>Unsecured loan</u>

[2] AR financing includes guarantees by Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

[3] This term loan includes guarantees by Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

[4] This term loan includes guarantees by the Mr Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

[5] Working capital loan from Orix Capital are entered for the drilling and vertical machines purchased and are personally guaranteed by Mr. Seah Chong Hoe (shareholder and Chief Operating Officer of the Company).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

21. LOANS AND BORROWINGS (CONT'D)

The aggregate balance of bank borrowings that are denominated in Malaysia Ringgit is S$985,000 (2018: S$1,143,000).

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

	2018 S$'000	Cash flow S$'000	Interest S$'000	2019 S$'000
Loans and borrowings	1,613	(378)	(137)	1,098

	2017 S$'000	Cash flow S$'000	Acquisition S$'000	Foreign exchange movement S$'000	Other S$'000	2018 S$'000
Loans and borrowings	–	(164)	1,829	(53)	1	1,613

22. SHARE CAPITAL

	Group and Company	
	2019 **S$'000**	2018 S$'000
Issued and fully paid :-		
At beginning of the year:-		
22,324,126,058 (2018: 15,824,126,058) ordinary shares	**148,841**	142,351
Issuance of 6,500,000,000 new ordinary share pursuant to sale share	**–**	6,500
Share issuance expenses	**–**	(10)
At end of the year:- 22,324,126,058 (2018: 22,324,126,058) ordinary shares	**148,841**	148,841

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

23. OTHER RESERVES

(a) Merger reserve

Merger reserve represents the difference between the consideration paid and the net assets of a subsidiary restructured under common control in prior years.

(b) 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.

24. DIVIDENDS

The directors do not recommend any dividend in respect of the financial year ended 31 December 2019. No dividend has been paid or declared since the end of the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

25. COMMITMENTS

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	S$'000	S$'000
Property, plant and equipment	**1,252**	–

(a) Operating lease commitments – as lessee

In 2018, the Group leases certain properties and office equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates until September 2021 and contain provisions for rental adjustments. These leases have no renewal option. The Group is restricted from subleasing the leased properties and office equipment to third parties.

Operating lease payments recognised in the Group's profit or loss for the financial year ended 31 December 2018 amounted to S$350,000.

Future minimum rental payables under non-cancellable operating leases as at the 31 December 2018 are as follows:

	Group
	2018
	S$'000
Not later than one year	407
Later than one year but not later than five years	469
	876

Lease commitments for the Group as at 31 December 2018 relate mainly to the subsidiaries' rental payments for their office and factory premises.

As disclosed in Note 2.2 to the financial statements, the Group has adopted SFRS(I) 16 Leases on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

25. COMMITMENTS (CONT'D)

(b) *Finance lease commitments – as lessee*

In 2018, the Group has finance leases for certain items of plant and equipment. Certain leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. All assets acquired under finance leases are secured.

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

	Minimum lease payments	**Net present value of lease payments**
Group	2018 S$'000	2018 S$'000
Within one year	312	283
Within two to five years	313	297
	625	580
Finance charges allocated to future periods	(45)	–
	580	580
Current portion		283
Non-current portion		297
		580

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16 Leases. The impact of adoption is disclosed in Note 2.2 to the financial statements.

26. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019 **S$'000**	2018 S$'000 (restated)
Salaries and bonuses	**5,305**	2,670
Employer's contribution to defined contribution plans	**452**	256
Other benefits	**123**	26
	5,880	2,952

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Transactions with ASTI Group (corporate shareholder of the Company) :-				
Sales of goods	**–**	427	**–**	–
Rental income	**63**	–	**–**	–
Corporate support cost	**(400)**	–	**(400)**	–
Interest expense on loans	**(224)**	(209)	**(213)**	(209)
Interest expense on loan from a director who is also a shareholder of the Company:-				
Interest expense on loans	**(21)**	–	**(21)**	–
Transactions with a key management personnel who is also a shareholder of the Company:-				
Consultancy fees	**–**	(18)	**–**	–
Rental expense paid	**(96)**	(10)	**–**	–

	Group	
	2019	2018
	S$'000	S$'000
Compensation to directors of the Company		
- Directors' fee proposed	**125**	132
- Directors' remuneration	**780**	845
Compensation of key management personnel		
- Salaries	**794**	553
- Employer's contribution to defined contribution plans	**16**	10
Total compensation paid to directors and key management personnel	**1,715**	1,540
Comprise amounts paid/payable to:		
- Directors of the Company	**905**	977
- Other key management personnel	**810**	563
	1,715	1,540

28. FINANCIAL SUPPORT

The Company has agreed to provide financial support to certain subsidiaries to meet their liabilities as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the year under review, 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 the Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risk.

(a) 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 the amount due to related parties and loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts in a cost-efficient manner.

The following table sets out the carrying amount of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Group		Company	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Interest bearing				
Amounts due to related parties	**7,453**	6,308	**7,112**	6,308
Lease liabilities (Note 20)	**692**	580	**–**	–
Loans and borrowings (Note 21)	**1,098**	1,613	**–**	–
	9,243	8,501	**7,112**	6,308

Interest on financial instruments and amount due to related parties subject to floating interest rates is repriced as and when there is a change in the prevailing market interest rate. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if interest rates had been 50 (2018: 50) basis points higher/lower with all other variables held constant, the Group and the Company's net loss before tax would have been S$46,000 higher/lower (2018: S$32,000 higher/lower) and S$36,000 higher/lower (2018: S$32,000 higher/lower) respectively.

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit ("MYR"). The foreign currency in which these transactions are denominated is mainly USD. Approximately 66% (2018: 49%) of the Group's sales are denominated in foreign currencies whilst almost all of its costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures. If necessary, the Group uses forward currency contracts to mitigate the currency exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (in USD) amount to S$468,000 (2018: S$723,000) and S$2,000 (2018: S$2,000) for the Group and the Company respectively.

<u>Sensitivity analysis for foreign currency risk</u>

If the USD exchange rate strengthened/weakened by 5% (2018: 5%) with all other variables held constant, the Group's net loss before tax would have been S$96,238 lower/higher (2018: S$73,969 lower/higher).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(c) Credit risk

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

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

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

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

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

- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations

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

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

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

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

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

(i) <u>Trade receivables and contract assets</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(c) Credit risk (Cont'd)

(i) Trade receivables and contract assets (Cont'd)

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

31 December 2019	Contract assets	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	–	1,534	465	582	530	3,111
Loss allowance provision	–	–	–	–	–	–

31 December 2018	Contract assets	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	109	1,642	1,533	310	508	3,993
Loss allowance provision	–	–	–	–	20	20

Information regarding expected credit loss allowance of trade receivables is disclosed in Note 15.

Credit risk concentration profile

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

	Group			
	2019		2018	
	S$'000	**% of total**	S$'000	% of total
China	**18**	**0.6**	316	8.0
South East Asia	**3,046**	**97.9**	3,528	88.8
America	**6**	**0.2**	26	0.7
Europe	**41**	**1.3**	103	2.5
	3,111	**100.0**	3,973	100.0

Exposure to credit risk

At the date of statement of financial position, the Group's and the Company's exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

There is no significant credit risk exposure faced by the Group in 2019 and 2018.

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group monitors its liquidity risk and is currently dependent on its cash flow generated from operations and if necessary, advances from its holding company and shareholders to support its working capital. The Group also ensures availability of bank credit lines to address any short-term funding requirement.

At the end of the reporting period, approximately 73% (2018: 73%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, excluding liabilities directly associated with disposal group classified as assets held for sale.

Analysis of financial instruments by the remaining contractual maturities

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

Group	2019				2018			
	Less than 1 year S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000	Less than 1 year S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Financial assets:								
Trade and other receivables	**4,195**	**–**	**–**	**4,195**	4,990	–	–	4,990
Cash and cash equivalents	**2,305**	**–**	**–**	**2,305**	4,576	–	–	4,576
Total undiscounted financial assets	**6,500**	**–**	**–**	**6,500**	9,566	–	–	9,566
Financial liabilities:								
Trade and other payables	**12,274**	**–**	**–**	**12,274**	12,990	376	–	13,366
Other liabilities	**2,847**	**–**	**–**	**2,847**	2,019	–	–	2,019
Lease liabilities	**792**	**395**	**–**	**1,187**	312	313	–	625
Loans and borrowings	**870**	**109**	**201**	**1,180**	1,271	262	226	1,759
Total undiscounted financial liabilities	**16,783**	**504**	**201**	**17,488**	16,592	951	226	17,769
Total net undiscounted financial liabilities	**(10,283)**	**(504)**	**(201)**	**(10,988)**	(7,026)	(951)	(226)	(8,203)

Company	2019			2018		
	Less than 1 year S$'000	1 to 5 years S$'000	Total S$'000	Less than 1 year S$'000	1 to 5 years S$'000	Total S$'000
Financial assets:						
Trade and other receivables	**145**	**–**	**145**	32	–	32
Cash and cash equivalents	**100**	**–**	**100**	224	–	224
Total undiscounted financial assets	**245**	**–**	**245**	256	–	256
Financial liabilities:						
Trade and other payables	**11,297**	**–**	**11,297**	8,682	723	9,405
Other liabilities	**1,682**	**–**	**1,682**	296	–	296
Total undiscounted financial liabilities	**12,979**	**–**	**12,979**	8,978	723	9,701
Total net undiscounted financial liabilities	**(12,734)**	**–**	**(12,734)**	(8,722)	(723)	(9,445)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(d) Liquidity risk (Cont'd)

The table below shows the contractual expiry by maturity of the Group and 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.

Group and Company	Less than 1 year S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
2019				
Financial guarantees	**443**	**112**	**181**	**736**
2018				
Financial guarantees	27	108	214	349

30. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

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

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

Fair value measurements that use inputs or 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.

During the years ended 31 December 2019 and 2018, there have been no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

b) Level 3 fair value measurements

Valuation policies and procedures

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2019

30. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

c) Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's liabilities not measured at fair value, for which fair value is disclosed:-

	Group	
	2018 S$'000	
	Carrying amount	Fair Value (Level 3)
Financial liabilities		
Lease creditors		
Obligations under finance leases	580	580

The fair values of 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 leasing arrangements at the end of the reporting period. The obligations under finance leases are expected to be repaid within the next 12 months.

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.

31. CAPITAL MANAGEMENT

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

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. 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 the objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, lease creditors, amount due to related companies, amount due to holding company, trade payables and accruals, and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

	Group	
	2019 S$'000	2018 S$'000 (Restated)
Loans and borrowings (including bank overdrafts)	**1,098**	1,613
Lease liabilities	**692**	580
Trade and other payables	**11,987**	12,777
Other liabilities	**2,847**	2,019
Less: Cash at bank and on hand	**(2,305)**	(4,576)
Net Debt	**14,319**	12,413
Equity attributable to owners of the Company	**1,572**	6,117
Total Capital	**1,572**	6,117
Capital and net debt	**15,891**	18,530
Gearing ratio	**90%**	67%

NOTES TO THE FINANCIAL STATEMENTS

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32. SEGMENT INFORMATION

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

I. The Equipment segment is mainly engaged in designing and manufacturing Automatic Moulding machines and other back-ended assembly equipment for the semiconductor industry.

II. The Equipment Contract Manufacturing Services (“ECMS”) segment is mainly engaged in precision engineering and fabrication assembly of parts for both semiconductor and non-semiconductor industries.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (CONT'D)

	Equipment		ECMS		Discontinued operation		Adjustment and elimination		Note	Consolidation	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000		**2019 S$'000**	2018 S$'000
Revenue											
Segmental revenue											
- External sales	**–**	–	**13,711**	12,191	**4,974**	14,729	**(4,974)**	(14,729)	A	**13,711**	12,191
- Inter-segment sales	**–**	–	**11**	13	**–**	16	**(11)**	(29)	B	**–**	–
	–	–	**13,722**	12,204	**4,974**	14,745	**(4,985)**	(14,758)		**13,711**	12,191
Results:											
EBITA (Note C)	**(3,533)**	(1,948)	**1,246**	1,215	**(356)**	(4,388)	**356**	4,446	A	**(2,287)**	(675)
Interest income	**18**	73	**88**	52	**–**		**(76)**	(107)		**30**	18
Interest expense	**(234)**	(183)	**(244)**	(107)	**(22)**	–	**98**	49		**(402)**	(241)
Depreciation on property, plant & equipment	**–**	–	**(708)**	(404)	**–**	(38)	**–**	38	A	**(708)**	(404)
Depreciation on right-of-use assets	**–**	–	**(439)**	–	**(301)**	–	**301**	–	A	**(439)**	–
Loss before tax	**(3,749)**	(2,058)	**(57)**	756	**(679)**	(4,426)	**679**	4,426		**(3,806)**	(1,302)
Income tax expense	**(2)**	(4)	**(147)**	(346)	**(3)**	(1)	**3**	1		**(149)**	(350)
Segment results	**(3,751)**	(2,062)	**(204)**	410	**(682)**	(4,427)	**682**	4,427	A	**(3,955)**	(1,652)
Additions to non-current assets (Note D)	**–**	60	**806**	951	**–**	6	**–**	–		**806**	1,017
Segment assets	**792**	2,202	**17,580**	21,406	**2,348**	–	**–**	–		**20,720**	23,608
Segment liabilities	**12,346**	12,174	**5,408**	6,116	**2,284**	–	**–**	–		**20,038**	18,290

A. The amounts relating to discontinued operation has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income with one line item, "loss from discontinued operation, net of tax".

B. Inter-segment revenues are eliminated on consolidation.

C. Elimination of unrealised gains and losses arising from inter-segment transactions.

D. Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Singapore	**3,668**	4,260	**4,312**	7,245
Malaysia	**8,870**	7,792	**5,759**	2,778
Thailand	**611**	118	**–**	–
United States of America	**45**	6	**–**	–
France	**59**	–	**–**	–
Others	**458**	15	**–**	–
Total	**13,711**	12,191	**10,071**	10,023

Non-current assets information presented above consist of intangible assets and property, plant and equipment as presented in the consolidated balance sheet.

Information about major customers

Revenue from one major customer amounted to S$3,830,000, arising from sales by ECMS segment (2018: S$2,963,000 arising from sales by Equipment segment).

33. CONTINGENCIES

Legal claims

In January 2020, a Writ of Summons and a Statement of Claim were served by an individual against a subsidiary in respect of damages alleged caused by the non-repayment of an alleged loan of $340,000. The subsidiary has disclaimed the liability and is defending the action. Legal advice obtained indicates that it is not probable to determine whether any significant liability will arise at this juncture. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the claim and the subsidiary has filed an application to strike out the plaintiff's suit.

Financial guarantees

The Group provided a financial guarantee to a bank for a S$350,000 loan taken up by a subsidiary. The Company has also provided a financial guarantee to a customer for the payment of debts owed by a subsidiary amounting to approximately S$415,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

34. RESTATEMENT

During the financial year ended 31 December 2019, the purchase price allocation in relation to the acquisition of Yumei Group was subsequently completed and, accordingly, the goodwill was restated. Henceforth, the financial position of the Group for the financial year ended 31 December 2018 has been adjusted retrospectively in relation to goodwill and intangible assets, which includes customer relationship and order backlog, and deferred tax liabilities.

As a result, the following line items have been restated:

	Group		Company	
	As previously reported S$'000	As restated S$'000	As previously reported S$'000	As restated S$'000
Balance sheet				
Non-current assets				
Intangible assets	4,288	3,137	–	–
Investment in subsidiaries	–	–	14,699	13,422
Current assets				
Inventories	3,579	3,716	–	–
Non-current liabilities				
Trade and other payables	1,735	376	2,000	723
Deferred tax liabilities	172	517	–	–

A third statement of financial position as at the 1 January 2018 were not presented as the acquisition date of Yumei Group was 4 December 2018, with no impact to the financial position on 1 January 2018.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in countries where the Company operates, including requirements to limit or suspend business operations, travel restrictions and quarantine measures. As a result, the Group had to suspend its business operations in Singapore and Malaysia in the months of April and May 2020. With the gradual lifting of such measures from May 2020, the Group has since resumed its operations.

The Group continually assesses it's working capital requirements and remain confident of the Group's business prospects as the Group's order books remain healthy. The Group also expects that the support measures introduced by the governments in Singapore and Malaysia, new credit facilities and continued support from a key shareholder will help cushion the short-term cash flow impact of the Group. In May 2019, the Group has signed a loan agreement with a local bank for working capital purposes.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 12 June 2020.

APPENDIX 3

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2019

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 21 May 2020

Number of Equity Securities	:	22,324,126,058
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

The Company does not have any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	694	10.33	43,872	0.00
100 - 1000	1,973	29.36	800,105	0.00
1,001 - 10,000	1,902	28.31	7,868,181	0.04
10,001 - 1,000,000	1,765	26.27	310,246,961	1.39
1,000,001 and above	385	5.73	22,005,166,939	98.57
Total	**6,719**	**100.00**	**22,324,126,058**	**100.00**

TWENTY LARGEST SHAREHOLDERS

S/No	Name of Shareholders	No. of Shares	%
1.	SEAH CHONG HOE	6,500,000,000	29.12
2.	ASTI HOLDINGS LIMITED	5,800,791,930	25.98
3.	LOH SOON GNEE	4,444,444,444	19.91
4.	TAN ENG CHUA EDWIN	514,797,000	2.31
5.	PHILLIP SECURITIES PTE LTD	257,735,222	1.15
6.	LOH CHOON KHIANG	255,555,555	1.14
7.	LOH CHOON PIEW	255,555,555	1.14
8.	CITIBANK NOMINEES SINGAPORE PTE LTD	155,553,863	0.70
9.	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	150,000,039	0.67
10.	OCBC SECURITIES PRIVATE LIMITED	149,553,184	0.67
11.	ONG HEAN KOOI	141,120,267	0.63
12.	TAN CHIP SIN	140,931,300	0.63
13.	WONG HAN YEW	106,239,400	0.48
14.	MAYBANK KIM ENG SECURITIES PTE. LTD.	97,068,553	0.43
15.	FOO SECK HUAT	95,000,000	0.43
16.	DBS NOMINEES (PRIVATE) LIMITED	93,436,883	0.42
17.	TAN SZE SENG	84,610,633	0.38
18.	RAFFLES NOMINEES (PTE.) LIMITED	82,195,784	0.37
19.	TEO YONG PING (ZHANG RONGBIN)	80,000,000	0.36
20.	LIM SOK PECK OR NG HAN KEOW	73,000,000	0.33
	Total	**19,477,589,612**	**87.25**

Based on the information available to the Company as at 21 May 2020, approximately 24.99% of the total number of issued ordinary shares of the Company is held by the public. Therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%	Total Interest	Total %
Seah Chong Hoe	6,500,000,000	29.12	-	-	6,500,000,000	29.12
ASTI Holdings Limited	5,800,791,930	25.98	-	-	5,800,791,930	25.98
Dato' Michael Loh Soon Gnee	4,444,444,444	19.91	-	-	4,444,444,444	19.91

APPENDIX 4

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

ADVANCED SYSTEMS AUTOMATION LIMITED
(Company Registration No. 198600740M)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Advanced Systems Automation Limited (the "**Company**") will be held by electronic means on Monday, 29 June 2020 at 1.30 p.m. (of which there will be a live webcast) 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 financial year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:

   Mr. Steven Shen Hing (Retiring under Regulation 88) **(Resolution 2)**
   Dato' Sri Mohd Sopiyan B. Mohd Rashdi (Retiring under Regulation 89) **(Resolution 3)**

   [See Explanatory Note (i)]

3. To note the retirement of Dato' Khor Gark Kim retiring under Regulation 89 of the Company's Constitution.
   (Note: Dato' Khor Gark Kim will not be seeking re-election and will retire as Lead Independent Director of the Company on 29 June 2020 at the close of the Annual General Meeting.)

4. To approve the payment of Directors' fees of S$124,986 for the financial year ended 31 December 2019 (2018: S$132,000).
   (Resolution 4)

5. 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)**

6. 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 resolutions as Ordinary Resolutions, with or without any modifications:

7. **AUTHORITY TO ALLOT AND ISSUE SHARES IN THE SHARE CAPITAL OF THE COMPANY**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the capital of 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 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 while this Resolution was in force,

   PROVIDED ALWAYS THAT:

   (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding Shares which may be issued pursuant to any adjustments effected under any relevant instrument), does not exceed 100 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings, as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted

pursuant to this Resolution but excluding Shares which may be issued pursuant to any adjustments effected under any relevant instrument) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings, as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Share that may be issued under sub-paragraph (1) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Share (excluding treasury shares and subsidiary holdings) in the capital of the Company at the date of the passing of this Resolution, after adjusting for:

(a) new share arising from the conversion or exercise of any convertible securities or Share option or vesting of share awards, provided the share options were granted in compliance with Part VIII of Chapter 8 of the Catalist Rule; and

(b) any subsequent bonus issue, consolidation or subdivision of Share;

Adjustments in accordance with 2(a) or 2(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force (i) 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 or (ii) in the case of Shares to be issued in pursuance of the Instruments, or made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 6)**

By Order of the Board

Theng Searn Por
Company Secretary
Singapore, 13 June 2020

EXPLANATORY NOTES

(i) Mr. Steven Shen Hing will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Nominating Committee, and will be appointed the Chairman of the Remuneration Committee. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Dato' Sri Mohd Sopiyan B. Mohd Rashdi will, upon re-election as a Director of the Company, shall remain the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Further details of the re-election of Dato' Sri Mohd Sopiyan B. Mohd Rashdi and Mr. Steven Shen Hing pursuant to Rule 720(5) of the Catalist Rules have been set out in the "Corporate Governance Report" section of the Annual Report for the financial year ended 31 December 2019.

(ii) The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, and will be 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 revoked by the Company in general meeting, whichever is the earlier, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, as follows:

(a) in any pro-rata issue of Shares, up to a number not exceeding, in total, 100 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings); and

(b) in any issue of Shares other than on a pro-rata basis, up to a number not exceeding 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

For determining the aggregate number of shares that may be issued, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the date this Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus ("COVID-19")

On 3 April 2020, the Singapore Government announced the implementation of circuit breaker measures (enhanced safe distancing measures and closure of non-essential workplace premises) to curb the further spread of COVID-19.

The COVID-19 (Temporary Measures) Act 2020 was passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 was issued by the Minister for Law on 13 April 2020 which provide, among others, legal certainty to enable issuers to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). A joint statement was also issued on 13 April 2020 by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation providing guidance for listed and non-listed entities on the manner in which general meetings are to be conducted during the period when elevated safe distancing measures are in place.

In light of the above developments, the Company is arranging for a live audio-visual webcast (the "**Live AGM Webcast**") and a live audio only broadcast ("**Live AGM Audio Feed**") of the Annual General Meeting proceedings which will take place on 29 June 2020 at 1.30 p.m. ("**AGM**"). **Shareholders will be able to attend the AGM proceedings through the Live AGM Webcast and Live AGM Audio Feed, and the Company will not accept any physical attendance by shareholders. Any shareholder seeking to attend the AGM physically in person will be turned away.**

Shareholders will be able to participate in the AGM in following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders may attend the AGM proceedings through the Live AGM Webcast and Live AGM Audio Feed. To do so, shareholders will need to register at https://sg.conveneagm.com/asa (the "**Registration Link**") **by 1.30 p.m. on 25 June 2020** (the "**Registration Deadline**") to enable the Company to verify their status.

2. Following verification, authenticated shareholders will receive an email by **1.30 p.m. on 28 June 2020** which will allow them to access the Live AGM Webcast and the Live AGM Audio Feed, using the account created during the registration, via the live audio-visual webcast and via the live audio only broadcast of the AGM proceedings on https://sg.conveneagm.com/asa.

3. Shareholders must not forward the abovementioned details and/or links to other persons who are not Shareholders of the Company and who are not to attend the AGM. This is also to avoid any technical disruptions or overload to the live audio-visual webcast and the live audio only broadcast of the AGM proceedings.

4. Shareholders who register by the Registration Deadline but do not receive an email response by **6.00 p.m. on 28 June 2020** may contact the Company by email to AGM2020@asa.com.sg with the full name of the shareholder and his/her identification number.

Submission of Proxy Forms to Vote:

1. **Shareholders will not be able to vote online or through the Live AGM Webcast or the Live AGM Audio Feed on the resolutions to be tabled for approval at the AGM. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.**

2. Shareholders (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

3. The Chairman of the AGM, as proxy, need not be a shareholder of the Company.

4. The instrument appointing a proxy or proxies, duly completed and signed, must be deposited/submitted:

   (a) by mail to **ADVANCED SYSTEMS AUTOMATION LIMITED, C/O Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or**

   (b) by email to AGM2020@asa.com.sg,

   by no later than 1.30 p.m. on 26 June 2020, being 72 hours before the time fixed for the AGM.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the AGM (i.e. by 1.30 p.m. on 17 June 2020)** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

Submission of Questions:

1. **Please note that shareholders will not be able to ask questions at the AGM during the Live AGM Webcast or the Live AGM Audio Feed, and therefore it is important for shareholders to pre-register their participation in order to be able to submit their questions in advance of the AGM.**

2. Shareholders may submit questions relating to the items on the agenda of the AGM by:

(a) digital submission at https://sg.conveneagm.com/asa; or
(b) email to AGM2020@asa.com.sg. When submitting the questions, please provide the Company with the following details, for verification purpose:

(i) Full name (Company name for corporates);
(ii) Current address;
(iii) Number of shares held; and
(iv) The manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS);

3. The Company will endeavour to address the substantial and relevant questions at or before the AGM. The responses to such questions from shareholders will be posted on the SGXNet and the Company's website 3 business days before the AGM, or if answered during the AGM, to be included in the minutes of the AGM, which will be uploaded within one month after the date of the AGM.

4. All questions must be submitted by **1.30 p.m. on 22 June 2020**.

Request for Annual Report for FY2019:

1. The printed copy of Annual Report for FY2019, including this Notice of AGM and the accompanying Proxy Form, would only be available to Shareholders upon submission of a duly completed request form, as provided for in the Important Notice to Shareholders regarding the Company's AGM dated 13 June 2020, to the Company no later than 22 June 2020.

2. In this regard, the Annual Report for FY2019, including this Notice of AGM and the accompanying Proxy Form, have been made available for download from the Company's corporate website at https://www.asa.com.sg/PDF/AR2019_asa.pdf

3. The Annual Report for FY2019 has also been made available on SGXNet.

4. Please note that all documents relating to the business of the AGM will be published on SGXNET and will be published together with the Notice of AGM.

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.

*This notice has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This notice has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.*

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

APPENDIX 5

ADVANCED SYSTEMS AUTOMATION LIMITED | ANNUAL REPORT 2019

PROXY FORM

ADVANCED SYSTEMS AUTOMATION LIMITED

(Company Registration No. 198600740M)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. The Annual General Meeting ("**AGM**") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to the attendance at the AGM via electronic means are set out in the Notice of AGM dated 13 June 2020.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
3. CPF/SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven working days before the AGM.
4. **Please read the notes overleaf to the proxy form.**

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, ______________________________ (Name) ______________________________ (NRIC/Passport No.)

of (Address) ____

being a member/members of Advanced Systems Automation Limited (the "**Company**"), hereby appoint the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be convened and held by way of electronic means on **Monday, 29 June 2020 at 1.30 p.m.** and at any adjournment thereof. *I/We direct my/our* proxy to vote for or against or abstain from voting on the Resolutions proposed to be proposed at the Annual General Meeting as indicated hereunder. In the absence of a specific direction in respect of a resolution, the appointment of the Chairman of the Annual General Meeting as your proxy for that resolution will be treated as invalid.

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [√] within the box provided if you wish to exercise all your votes. Alternatively, please indicate the number of votes as appropriate. If you mark "Abstain", you are directing your proxy not to vote.)

No.	Resolutions relating to:	For	Against	Abstain
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 ("**FY2019**")			
2	Re-election of Mr. Steven Shen Hing as a Director of the Company			
3	Re-election of Dato' Sri Mohd Sopiyan B. Mohd Rashdi as a Director of the Company			
4	Approval of payment of Directors' fees amounting to S$124,986 for FY2019 (FY2018: S$132,000)			
5	Re-appointment of Messrs Ernst & Young LLP as the Auditors of the Company and authority for Directors to fix their remuneration			
6	Authority for Directors to allot and issue shares in the capital of the Company			

Note: Voting will be conducted by poll.

Dated this ______ day of ______________ 2020

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)/ Common Seal of Corporate Shareholder

**Delete where inapplicable*

Important: Please read notes overleaf

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Shares held by you.

2. The instrument appointing a proxy must either be (a) submitted by mail to **Advanced Systems Automation Limited, C/O Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623**; or (b) submitted by email to AGM2020@asa.com.sg, **by no later than 1.30 p.m. on 26 June 2020,** not later than 72 hours before the time set for the AGM.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit the completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

3. The instrument appointing the Chairman of the Meeting as a proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as a proxy 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 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.

4. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the AGM (i.e. by 1.30 p.m. on 17 June 2020)** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

   "**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. 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 AGM, 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 June 2020.

General:

The Company shall be entitled to reject the instrument appointing a proxy 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. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy 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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