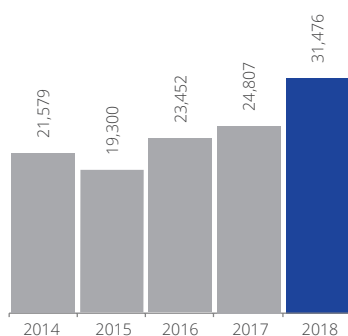


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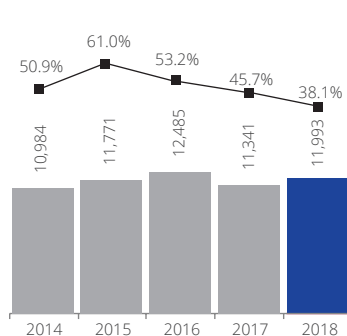
18

ANNUAL REPORT

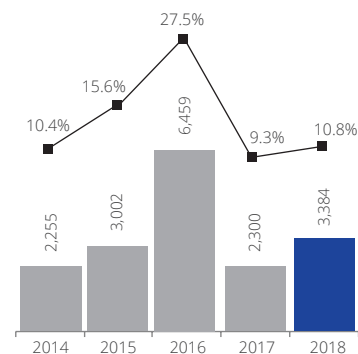
Revenue (\$'000)



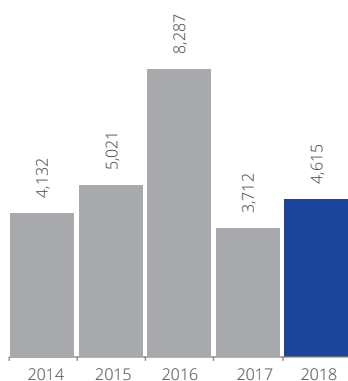
Gross Profit (\$'000) & Gross Profit Margin (%)



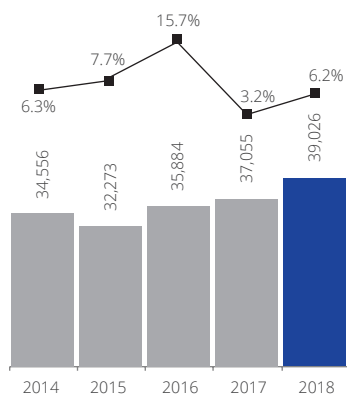
Net Profit (\$'000) & Net Profit Margin (%)



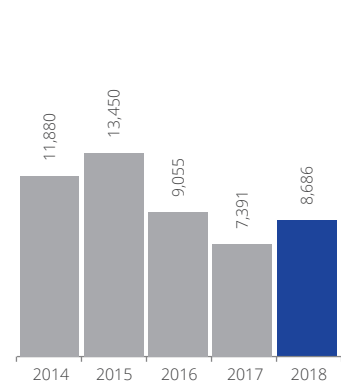
EBITDA (\$'000)



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



Cash & Cash Equivalents (\$'000)

**Consolidated Income Statement Data**

(In S\$'000 except per-share amounts)

Years ended 31 Dec

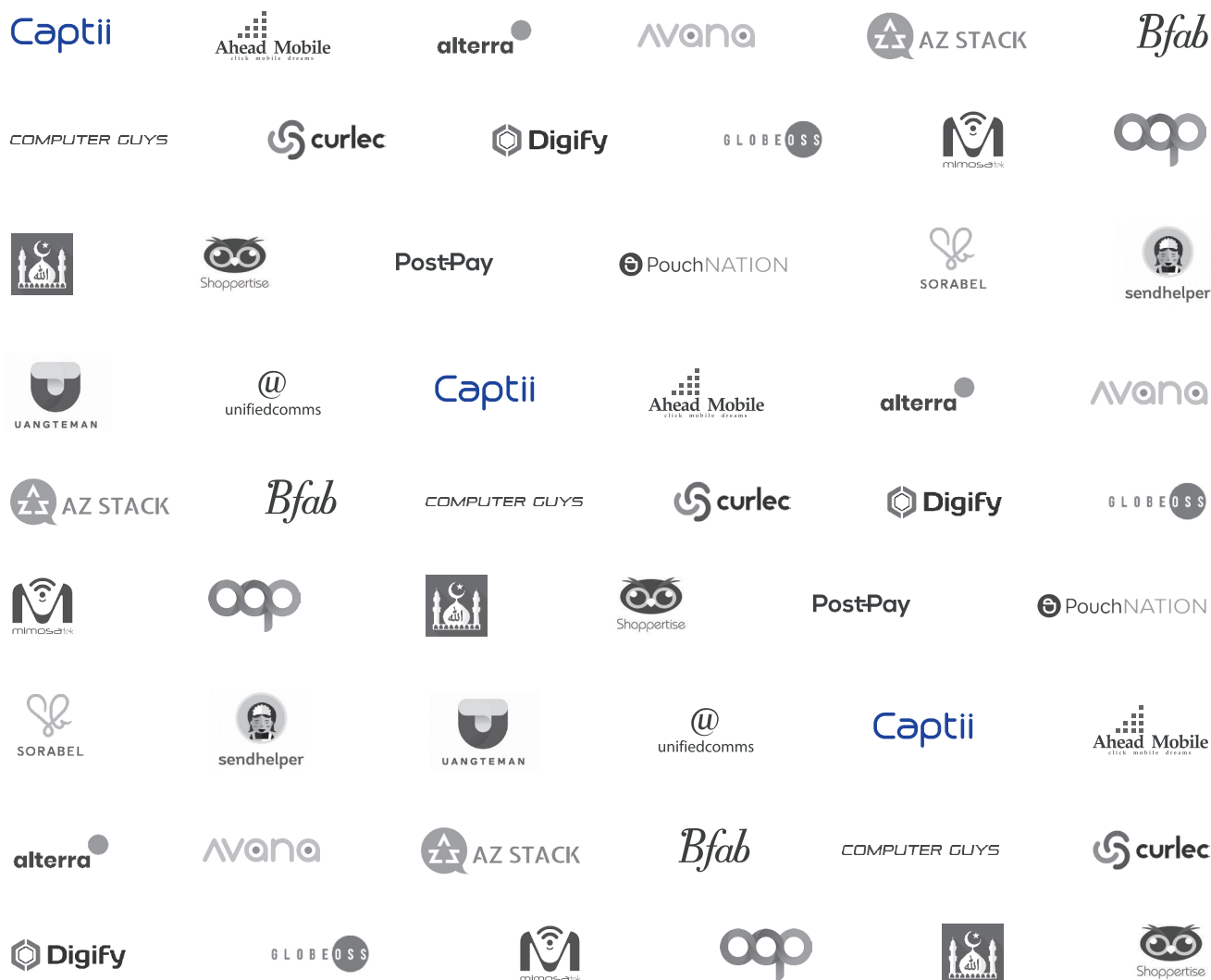
	2014	2015	2016	2017	2018
Revenue	21,579	19,300	23,452	24,807	31,476
Gross profit	10,984	11,771	12,485	11,341	11,993
Total other income	918	537	3,247	206	1,098
Total operating expenses	9,003	8,390	8,320	8,733	9,388
Finance costs	1	-	-	-	27
Share of loss from equity-accounted joint venture	10	4	3	-	-
EBITDA	4,132	5,021	8,287	3,712	4,615
Profit before income tax	2,888	3,914	7,409	2,814	3,676
Net profit	2,255	3,002	6,459	2,300	3,384
Basic earnings per share (cents)	6.76	8.05	16.69	3.65	7.33

Consolidated Balance Sheet Data

(In S\$'000 except per-share amounts)

Years ended 31 Dec

	2014	2015	2016	2017	2018
Total assets	41,773	38,203	49,849	54,049	55,749
Working capital	16,209	15,668	15,706	14,279	15,463
Cash and cash equivalents	11,880	13,450	9,055	7,391	8,686
Borrowings	-	-	-	-	2,018
Shareholders' equity	34,556	32,273	35,884	37,055	39,026
Net asset value per ordinary share (cents)	108.13	100.99	112.29	115.95	122.12



Captii invests in technology and innovation. In 2018 we invested in 2 new start-ups from Singapore and Malaysia, bringing our investees in the venture investment portfolio to a total of 15 companies from 6 countries. Some of our investees are global enterprises with customers from all over the world. A number are regional players in South East Asia and the rest firmly focused on winning in their large home markets of Indonesia, the Philippines and Vietnam.

Our venture investment portfolio has grown significantly from when we first started out in 2015. By the end of 2018 our portfolio was fair-valued at S\$11.2 million versus investment cost of S\$7.7 million. The companies we have invested in are engaged in a variety of businesses but the portfolio has a strong bias towards fintech and B2B ventures. More than three-quarters of our investees are fintech or enterprise-application start-ups.

One fintech start-up in the portfolio is entirely home-grown. PostPay evolved from our Unifiedcomms business over the past 4 years. This business has shown promising growth in terms of revenue and also technology. We are hopeful that it is the first of many home-grown start-ups to develop from within our group.

Contents

Executive Chairman's Letter (pg 2) / Management Discussion and Analysis (pg 3) / Sustainability Report (pg 8) / Corporate Information (pg 14) / Board of Directors (pg 15) / Key Executives (pg 17) / Corporate Governance Report (pg 19) / Financial Statements (pg 33) / Statistics of Shareholdings (pg 88) / Notice of Annual General Meeting (pg 90) / Proxy Form (enclosed)

Dear Captii Shareholder:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Captii Limited for the financial year ended 31 December 2018.

A broadly positive year

Our Group entered 2018 on a strong footing having maintained profitability for ten consecutive years.

Both our GlobeOSS and Unifiedcomms businesses generated higher revenue this year. GlobeOSS posted revenue of S\$19.7 million, an increase of 50.3% from the S\$13.1 million recorded in 2017. Unifiedcomms revenue marginally increased by 0.7% to S\$11.8 million in 2018 compared to the S\$11.7 million achieved the year before.

The significantly higher revenue delivered by GlobeOSS – was the main driver for the S\$6.7 million improvement in overall Group revenue for the year to S\$31.5 million.

Gross profit achieved by our Group was higher this year, as a result of increase in revenue. However the magnitude of the increase was lesser than that of revenue – gross profit rose by 5.7%, as compared to the 26.9% increase in revenue. This reflected the considerably lower average gross profit margin for the year of 38.1%, which resulted from the less favourable sales mix for 2018. This year the lower margin system sale contract revenues of GlobeOSS comprised a much greater proportion of Group revenue.

Group profit before tax came in at S\$3.7 million for the year, 30.6% higher compared to the S\$2.8 million recorded for 2017. Apart from the flow-down effect of the better performance of GlobeOSS this year, the substantial increase in profit before tax arose from the progress achieved at Captii Ventures whose investment portfolio had increased in value during the year.

Our overall bottom-line for the year was positive at S\$3.4 million, a 47.1% improvement on the S\$2.3 million recorded last year.

Our 10th consecutive year of profit going into our 21st year of business

2018 represented our tenth consecutive year of profitability. Profitability in 2018 had improved compared to 2017 – our Group's return on equity (ROE) increased to 6.2% this year from 3.2% the year before. This improvement in our ROE performance is in large part attributable to a non-cash, fair value gain on investment that we enjoyed on the Captii Ventures investment portfolio.

Higher system sale contract and managed service contract performance this year

Efforts to grow the managed service business persisted in 2018 and the results are encouraging. Revenues from this contract type improved by S\$1.1 million against last year with the increase being attributable to the higher managed service contract revenues at GlobeOSS. The revitalised unit within the Unifiedcomms business, PostPay that focuses on amongst others, prepaid credit solutions on a managed service model, achieved further growth this year. PostPay revenues grew in 2018 to countervail any decline or slow growth in the other managed service contracts in the Unifiedcomms portfolio.

The significant improvement in system sale contract revenues at GlobeOSS especially in the latter part of the year together with the growth in managed service contract revenues at both GlobeOSS and PostPay had more than offset the underperformance at Unifiedcomms within its other managed service business.

Investing in technology and innovation

At the start of 2018, we continued to have adequate cash balances to continue with the strategy of augmenting organic growth with growth by strategic investment. The Captii Ventures team identified and screened many candidates for investment throughout 2018. During the year, Captii Ventures completed two further investments in early stage start-ups to bring the number of investees in the portfolio to fifteen in total. The work to identify, screen and engage on further investment opportunities will persist in the new year.

Balance sheet strength and dividends

Apart from the further investments made by Captii Ventures in 2018, during the year we continued to reinvest in GlobeOSS and Unifiedcomms – especially for the PostPay business – for further product development as well for the acquisition of assets to support the fulfilment of managed service contracts. We continue to have a strong balance sheet at year-end 2018 with ample cash and cash equivalents of S\$8.7 million. This was also after declaring and paying to shareholders a dividend for the ninth year running. We had on 18 September 2018, paid a tax-exempt interim dividend of 1.25 Singapore Cents per share. In light of the anticipated capital requirements of our Group's growth and investment-driven development strategy, no further and final dividend payment has been recommended by our Directors for the financial year ended 31 December 2018.

In gratitude

2018 proved to be a broadly positive year for our Group. We ended the year with improved revenue and operating profit results courtesy of a strong year at GlobeOSS and encouraging progress in the venture investment activities at Captii Ventures.

We look forward to doing better in the year ahead and will strive to deliver an improvement in Group financial performance for 2019.

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

Wong Tze Leng
Executive Chairman

18 March 2019

An overview of our business

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

Throughout 2018, Unifiedcomms continued to address mobile network operators and integrated telecoms service providers with application and platform software, turnkey solutions and systems and a variety of professional and managed services. In 2016 a unit within Unifiedcomms called PostPay (formerly Mobilization) was revitalised into a fresh start-up and given prominence as part of a wider reorganisation of the Unifiedcomms business. PostPay now focuses mainly on providing advanced solutions for prepaid credit on a managed service model.

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

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

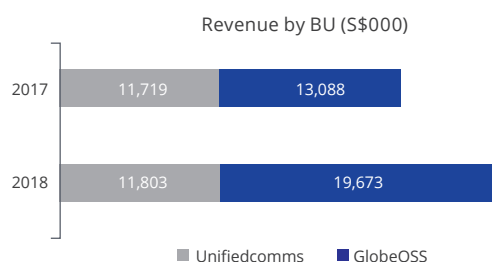
Captii Ventures, the venture investment arm of our Group, focuses primarily on the SEA market for start-up investment opportunities. Our venture investment business regularly interacts with other venture capital (VC) management companies in the region and participates in funding rounds as either lead investor or as a co-investor following the lead investor. In 2018 Captii Ventures added two new investees to its portfolio of start-up investments while also supporting the thirteen existing investees from 2017 in realising the development plans for their business.

As at end-2018, there are a total of 189 people that are employed in our Group. The majority of these personnel are located in Malaysia, where our operational headquarters is situated, while the rest work out of Singapore, Pakistan, Brunei, Thailand, Indonesia and Vietnam.

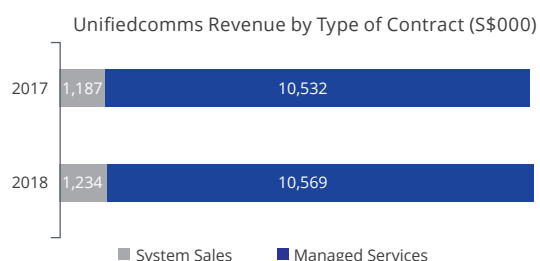
Generally a positive year for Group revenue

The 2018 financial was a positive year for our business in terms of Group revenue growth but a mixed one when we examine the performance of each of our business segments. The Group achieved consolidated revenue of S\$31.5 million for the financial year 2018, an increase of 26.9% as compared to the S\$24.8 million recorded in the previous year.

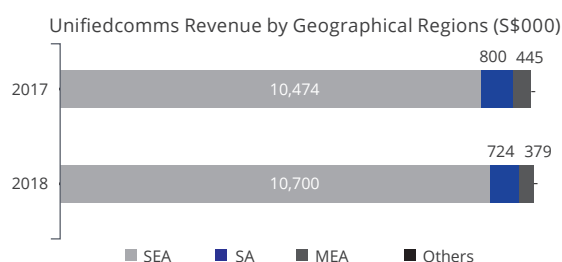
GlobeOSS posted revenue of S\$19.7 million in 2018, an increase of 50.3% from the S\$13.1 million recorded in 2017. Unifiedcomms recorded a slight increase 0.7% in revenue, turning in total revenue of S\$11.8 million in 2018 versus S\$11.7 million the year before.



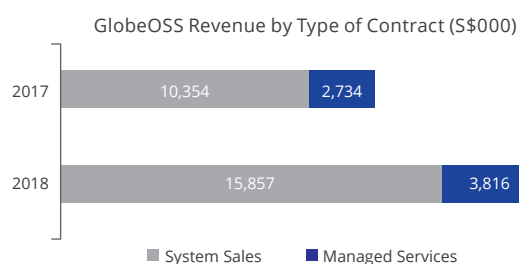
Slightly higher revenue at Unifiedcomms is attributable to the marginal increase in both system sale contracts and managed service revenues. The PostPay unit within the Unifiedcomms business that focuses on amongst others, advanced prepaid credit solutions on a managed service model continued to show good progress in 2018 to countervail the decline or slow growth in other managed service contracts.



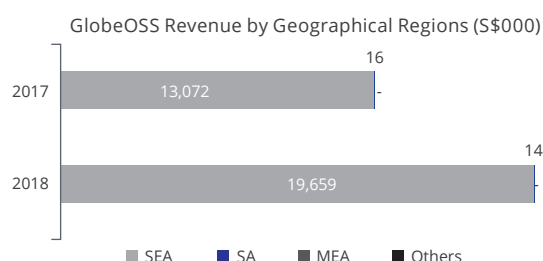
The Unifiedcomms customer base has traditionally been concentrated in the SEA region. This has not changed in 2018, with Unifiedcomms SEA region revenues accounting for 90.7% of the total revenue achieved for the year.



GlobeOSS delivered an improvement in both system sale and managed service contract revenues in 2018. System sales increased significantly by 53.1%, from S\$10.4 million in 2017 to S\$15.9 million in 2018, while managed service revenue increased by 39.6%, from S\$2.7 million in 2017 to S\$3.8 million in 2018.

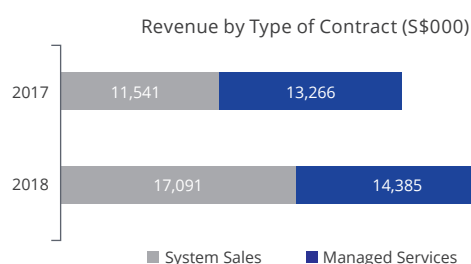


GlobeOSS continues to have both its system sale and managed service business concentrated in the SEA region. The S\$6.6 million increase in revenue from the SEA region is driven by the S\$5.5 million increase in system sales and a S\$1.1 million improvement in managed service revenues between 2017 and 2018.



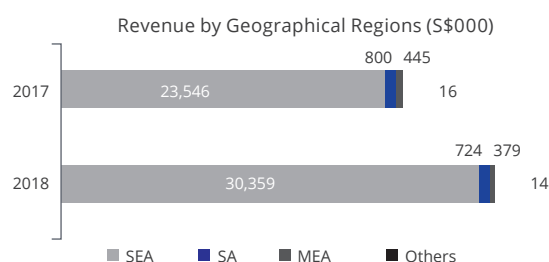
Growth in both system sale and managed service revenues

The increase in Group revenue this year against last year is mainly attributable to the 48.1% or S\$5.5 million significant increase in GlobeOSS system sale contract revenues.



We expected 2018 to be a challenging year for Unifiedcomms and GlobeOSS on the system sale front. However contrary to earlier expectations, market conditions improved in the second half of the year for the GlobeOSS business. Coupled with improved success rates for sale opportunities, significant growth in GlobeOSS system sale contract revenues was delivered in the second half of the year.

SEA once again served as the principal driver for the improvement in Group revenue for the year, growing by 28.9% or S\$6.8 million against last year's contribution. The regions that turned in a disappointing performance were SA and MEA.



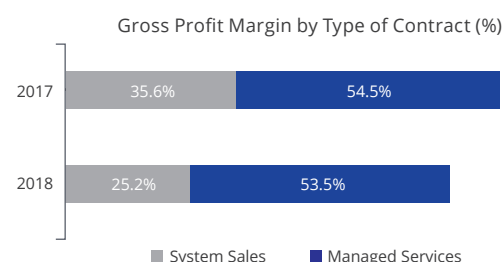
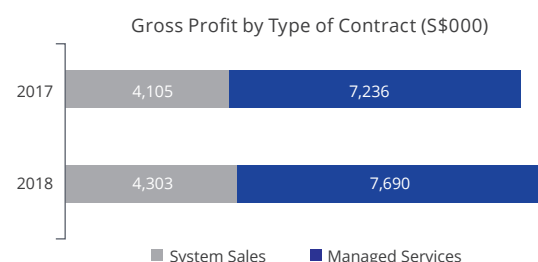
In 2018, SEA, our Group's home region, continues to be the largest geographic source of revenue, accounting for 96.5% of Group revenue.

Higher gross profit achieved, in line with higher revenue

In line with the higher consolidated revenue of S\$31.5 million for 2018, a 26.9% gain on 2017 revenue, absolute gross profit achieved for the year was higher compared to 2017.

Group gross profit for 2018 was S\$12.0 million, up by S\$0.7 million or 5.7% against what was recorded in 2017. Gross profit grew slower than revenue due to the sales mix achieved in 2018 – where the typically lower gross profit margin GlobeOSS system sale contract revenues accounted for the majority of the improvement in Group revenue. This, by extension, acted to reduce the overall gross profit margin earned on Group consolidated revenue to 38.1% as compared to 45.7% achieved the year before.

System sale contract average gross profit margin declined markedly to 25.2% in 2018, primarily due to the higher contribution of GlobeOSS to system sale contract revenues of the Group as compared to 2017. Gross profit margin earned on managed service contract revenues was relatively flat, showing only a gentler decline from 54.5% in 2017 to 53.5% this year. This decrease was mainly attributable to higher third-party costs on certain managed service contracts.



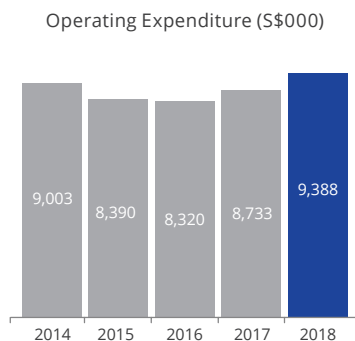
System sale contract revenues grew significantly this year, which resulted in managed service contract revenues contributing to less than half of Group revenue. This year managed service contract revenues accounted for 45.7% of Group revenue, down from 53.5% in 2017.

Higher total opex this year, before and after exceptional items

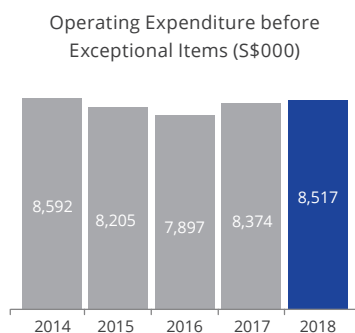
Our Group's operating expenditure for the year increased to S\$9.4 million as compared to S\$8.7 million in 2017.

In 2017, we had a fair value loss assessed on our Group's venture investment portfolio and a foreign exchange loss due to the unfavourable exchange rate movement of US Dollar, Malaysia Ringgit and Pakistan Rupee against the Singapore Dollar. The fair value loss, which is unrealised, was a result of the lower estimated fair valuation of the venture investment portfolio following the adoption of the most appropriate valuation technique.

This year we had a foreign exchange loss due to unfavourable exchange rate movement of Pakistan Rupee against the Singapore Dollar, and impairment loss on goodwill and investment property to take into our income statement. The impairment on goodwill this year relates to the acquisition of Ahead Mobile Sdn Bhd, which is now believed to produce lower than expected profitability and returns. The impairment loss on investment property meanwhile had arisen following an open market valuation of the property at end-2018.



Excluding the effect of exceptional items such as the impairment loss this year, our opex for 2018 was slightly higher at S\$8.5 million compared to S\$8.4 million for 2017.

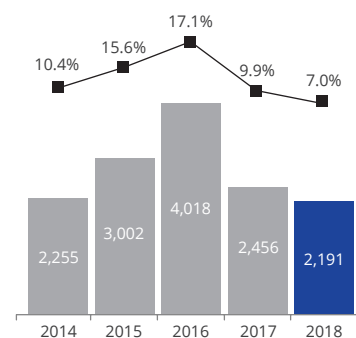


Improved bottom line, both organic and from investments

2018 marks our tenth consecutive year of being in the black. Group net profit for the year, at S\$3.4 million, is 47.1% higher than the S\$2.3 million recorded in 2017. This increase in our Group's bottom line reflects the fair value gain on investment that we enjoyed on the revaluation of Captii Ventures investment portfolio. This fair value gain amounting to S\$0.9 million had no cash impact on our business.

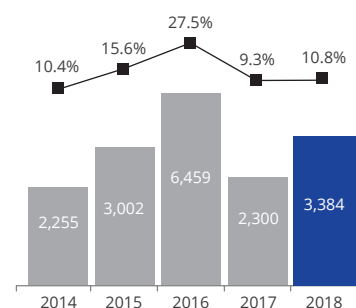
When the bottom line numbers are examined more closely, to exclude exceptional gains such as the fair value gains movement in the revaluation of the Captii Ventures investment portfolio in 2016 to 2018, the profit performance of the Unifiedcomms and GlobeOSS business is made more apparent. The 'adjusted' net profit generated by these two businesses have declined from S\$4.0 million in 2016 to S\$2.5 million and S\$2.2 million in 2017 and 2018 respectively.

Net Profit before Fair Value Effect (\$'000)
& Net Profit Margin before Fair Value Effect (%)

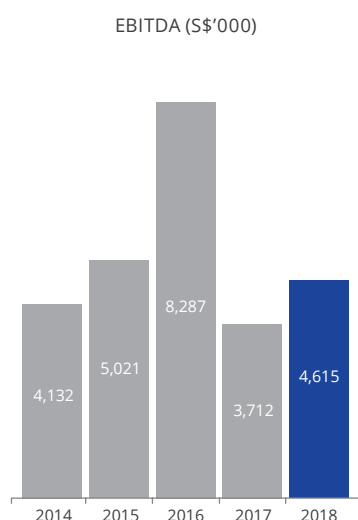


In terms of bottom line margins, our Group recorded a net profit margin of 10.8% for 2018 versus 9.3% for 2017. If the effect of any fair value gain or loss is removed, our Group net profit margin for 2018 would be lower at 7.0% while our 2017 results would show a higher margin of 9.9%.

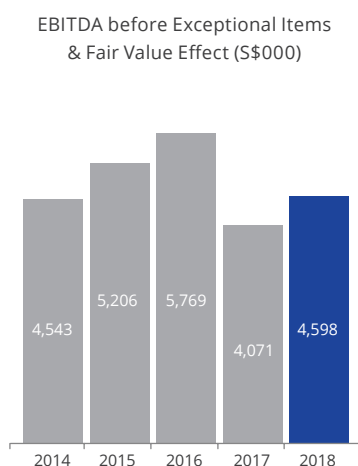
Profit for the Year (\$'000)
& Net Profit Margin (%)



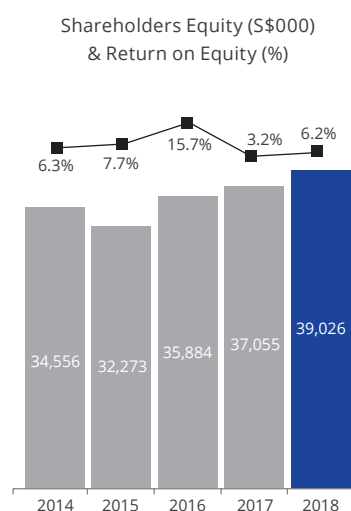
The flow-down effect of the improvement in Group net profit before and after exceptional items and fair value movements is clearly reflected in our EBITDA results for the year.



EBITDA rose to S\$4.6 million in 2018, an increase of 24.4%, in tandem with the 47.1% increase in net profit. A significant proportion of this EBITDA improvement is accounted for by the impact on Group net profit of the fair value gain on the Captii Ventures investment portfolio. Removing the effect of this significant non-cash item in 2018, and also excluding exceptional items for the year, the cash generation performance at our underlying business can be identified. EBITDA before exceptional items and fair value gain stood at S\$4.6 million for 2018 – a 12.9% improvement against what was recorded in 2017.



Because of the higher net profit delivered in 2018, our Group's return on equity (ROE) for the year improved to 6.2% from the 3.2% recorded in 2017. Another year with single-digit outcome is certainly a disappointing result, even in the context of an improvement of ROE compared to previous year. Of course the positive outcome of 2016 was aided by the outsized contribution from the significant fair value gain on the venture investment portfolio that year. Without the benefit of this gain from our venture investment portfolio our Group would have had a much lower ROE for 2016.



This year the contribution of system sale contracts was considerably higher, arising from significant growth in revenue performance of GlobeOSS. Managed service contracts showed steady revenue growth across GlobeOSS and PostPay. With the performance of our businesses being maintained if not improved further in 2019, we are optimistic of further extending our dividend payout track record – to at minimum, maintain the dividend per share that was paid to all shareholders last year.

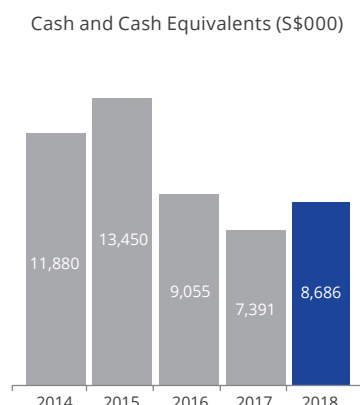
Investing in (external) technology and innovation

As at end-2018, we continued to have more than sufficient capital to augment our organic growth plans with growth by strategic investment. This remains an essential element of our current business plan that targets sustained, double-digit Group profit growth and a significant uplift of our ROE performance.

Throughout 2018, our venture investment business persisted in identifying and evaluating many investment opportunities in the SEA region. As a direct result of these efforts by the Captii Ventures team, as at end-2018, we have a total of fifteen investments in new technology ventures and start-ups. Out of these fifteen investments, two were made during the year.

Reviewing our 2018 balance sheet positions

Now to turn to our Group's balance sheet as at the end of the 2018 financial year: we ended 2018 with higher current assets of S\$28.1 million, as compared to S\$27.8 million as at end-2017. This is mainly attributable to the increase in Group cash and cash equivalents as a result of collection received in 2018 relating to trade receivables and other assets from late 2017, and proceeds from disposal of one of the venture investments and borrowings. This improvement in cash and cash equivalents was partly offset by higher investment in an associate and other financial assets (classified under non-current assets) totalling S\$1.6 million in cash being been utilised during the year on investments made by Captii Ventures. After these investments, Group cash and cash equivalents as at end-2018 was S\$8.7 million as compared to S\$7.4 million as at end-2017.



Our total non-current assets increased from S\$26.2 million as at 31 December 2017 to S\$27.7 million as at 31 December 2018. This increase was mainly due to the increase in investments by Captii Ventures which are classified as other financial assets. This increase was however partly offset by the impairment loss on goodwill (classified as intangible assets) in connection with the acquisition of Ahead Mobile Sdn Bhd.

Total liabilities of our Group as at 31 December 2018 decreased from S\$13.8 million to S\$12.6 million. This decrease was mainly due to the reduction in trade and other payables, following repayment made accordingly to the vendors.

Reviewing movements in Group cash

Our Group's net cash flows generated from operations for 2018 was S\$2.8 million, a decrease of 26.9% as compared to the net cash flows generated from operations of S\$3.8 million in the previous year. This decrease is mainly attributable to higher working capital incurred of S\$1.7 million for 2018, as compared to S\$0.2 million for 2017. The higher working capital incurred this year was mainly caused by higher repayment to trade payables in 2018 as compared to 2017.

Our Group's net cash used in investing activities for 2018 amounted to S\$1.8 million, a decrease of 53.2% as compared to the S\$3.8 million invested in the previous year. The lower net cash used in investing activities this year is attributable to lower volume of venture investments and investment in plant and equipment.

The Group's net cash flow from financing activities for 2018 was S\$0.9 million, in contrast with the net cash flow used in financing activities of S\$2.4 million for 2017. This increase was mainly due to proceeds from borrowings and lower dividend payout for the year.

2018: an improvement on 2017 but below expectations

We expected system sale market conditions to continue to be somewhat challenging for our Group in 2018 and for our managed service contract portfolio to deliver growth. However yet again this year, GlobeOSS managed to secure a substantial

increase in system sale contract revenues to complement more steady growth in managed service contract revenues, in spite of the competitive operating environment. Several hard-fought and won system sale contract opportunities during the year resulted in the significant revenue growth achieved by this business segment for the third consecutive year. However, this improvement in revenue performance came at the expense of thinning margins. Unifiedcomms meanwhile managed to maintain managed service contract revenues with 2017 levels, courtesy largely of the continue good progress achieved by PostPay business.

Although the growth in system sale business of GlobeOSS in 2018 had significantly augmented the slower than desired growth of our Group's managed service contract portfolio, uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to our Group's future results. The need for our Group to continue to strengthen our managed service contract portfolio and to continue to grow our venture investment portfolio as the basis for delivering steady, if not rapid yet sustainable future growth, remains.

Challenges and opportunities in 2019 and beyond

Apart from the contribution of existing long-standing managed service contracts, the bulk of the system sale revenues that are expected to be realised by our businesses in 2019 are expected to be driven by new solution implementation for new and existing customers, as well as solution enhancement, system upgrade and system capacity expansion activities of existing customers within the SEA region. This same region is also expected to drive managed service contract revenue growth.

Our Group's managed service contract portfolio continues to have emphasis in our Group's 2019 business plan. Group and business-segment level management will continue to work on means to better manage execution risk in respect of our strategies and tactics to grow. This includes maintaining if not growing the more mature managed service contracts in our portfolio and to more quickly translate secured contracts into substantial sources of recurrent revenue for our Group.

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

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

SUSTAINABILITY REPORT

STATEMENT ON SUSTAINABILITY

As a subsidiary of Advance Synergy Berhad ('ASB'), a company listed on the stock exchange of Malaysia, Bursa Malaysia Securities Berhad. Captii aligns its sustainability strategy with its parent company in three focus areas: Sustaining Growth - Caring for the Environment; Empowering Lives - Caring for our People; and Nurturing Communities - Caring for the Society. We identify with these action areas and they serve as focal points for us.

Captii's Board and Management are committed to establish and maintain an effective Sustainability Management System which is supported by underlying, internal controls, risk management practices, clear accountability and reporting process. The Board evaluates the Environmental, Social and Governance ("ESG") risks and opportunities relevant to the Company during the formulation of their overall business strategy, objectives and performance measurements.

Management identifies the type of relevant ESG topics caused by its day-to-day operations. Management then determines the materiality of the ESG factors based on the level of significance of impact and influence on stakeholder values, and the achievement of the Company's strategic objectives.

The Board supports and approves the identification and assessment parameters of material ESG factors.

The material ESG factors for Captii have been identified and reviewed by Captii's Board of Directors and Management. The Board and Management shall continue to dedicate leadership and maintain a high standard of sustainability governance to drive continuous and long-term growth for all its stakeholders. The Company will work towards ensuring comprehensive disclosures on the management and monitoring of our sustainability initiatives for continual improvement.

STRATEGIC APPROACH FOR SUSTAINABILITY

At Captii, we continue to refine our management approach to adapt to the changing business and sustainability landscape. Aligning with the perspective of our stakeholders, the Management has, within the scope of our business operations, identified that the Environment, Employee Relations, Health & Safety, Product Excellence, and Stakeholder Relations constitute key sustainability aspects material to our business.

In this regard, we have established a sustainability performance management framework (See Exhibit 1.), to enhance the monitoring and reporting of our sustainability performance.

EXHIBIT 1. CAPTII'S SUSTAINABILITY PERFORMANCE MANAGEMENT FRAMEWORK

Pillars of our sustainability performance

Sustaining Growth

Environmental Management

Product Excellence

Supply Chain Management

Regulatory Compliance

Corporate Governance & Risk Management¹

Empowering Lives

Labor Practices & Human Rights

Safety & Health

OUR MATERIALITY ASSESSMENT PROCESS

Supported by a systematic & interactive process to identify, categorise and prioritise material ESG factors

Identify
Define a list of potential material ESG factors

Categorise
Refine the list of topics by clustering them into categories

Prioritise
Engage stakeholders for feedback and validation of each topics based on importance to internal and external stakeholders

¹ Please refer to the Corporate Governance section in the annual report

SUSTAINABILITY REPORT

REPORTING PRACTICE AND BOUNDARY

This sustainability report provides detailed disclosure of Management of our key sustainability matters for the financial year ended 31 December 2018.

UNDERSTANDING WHAT MATTERS TO US

We use a comprehensive materiality assessment to identify priority areas based on the business strategy outlined in our plan. Our materiality assessments were based on the AA1000 Account Ability Principles of Inclusivity and Materiality, as well as the Global Reporting Initiative (GRI) Principles for Defining Report Content – stakeholder inclusiveness, sustainability context, materiality and completeness. Materiality with respect to sustainability reporting, as defined by GRI Standards, includes topics and indicators that reflect the organisation's significant

environmental and social impacts; and would substantively influence the assessments and decisions of stakeholders.

In FY2018, a robust process was undertaken to identify and prioritise the Group's material Environmental, Social and Governance (ESG) factors. The process was supported by an independent consultant and involved stakeholder consultations, workshops for senior management, an assessment of long-term global trends and an internal review of our businesses.

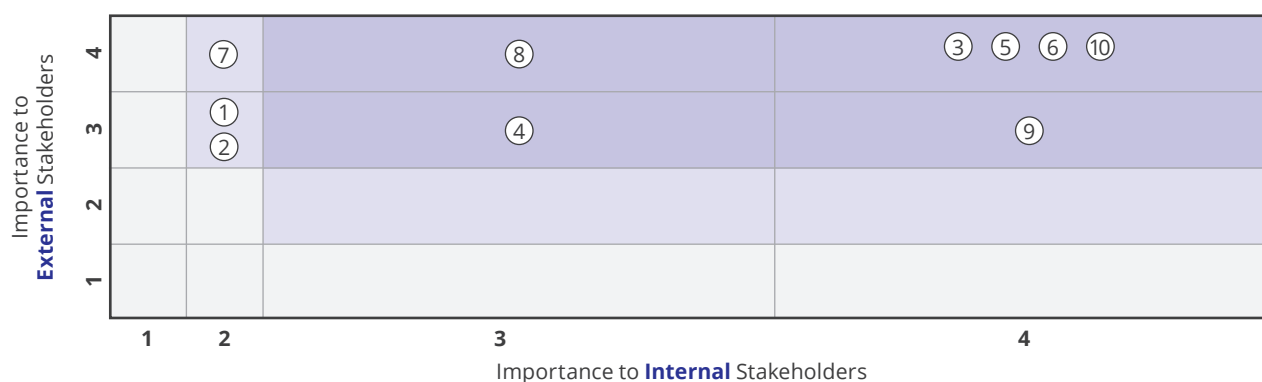
Through internal discussion and review with the independent consultant, Management have reviewed stakeholders across the Group's value chain and identified three (3) key stakeholder groups. These are stakeholders defined as having the most influence over and the highest level of interest in the Company's operations as set out in Exhibit 2.

EXHIBIT 2. KEY STAKEHOLDER GROUPS

Employees	Customers	Suppliers
Engagement with employees is conducted regularly to measure satisfaction level, get feedback as well as discuss business strategy and organisational changes.	Customer satisfaction is one of the Key Performance Indicators (KPI) for all our businesses. Engagement with customers allows us to receive timely, valuable feedback to improve our service standards.	We engage suppliers to ensure alignment, especially in the areas of safety, our practices and code of conduct.

The Group's ESG factors are identified as those that are ranked as high and medium on the materiality matrix (See Exhibit 3). Management will focus sustainability efforts and reporting on these factors that are of the greatest concern to our business and key stakeholder groups.

EXHIBIT 3. CAPTII'S MATERIALITY MATRIX



ESG Factors That Were Considered

Environmental	Social	Governance
1) Energy Efficiency 2) Environmental Compliance	3) Labour Practices (Talent Attraction & Retention) 4) Equality & Diversity 5) Product & Services Responsibility 6) Data Privacy & Protection 7) Occupational Health & Safety 8) Supply Chain Management 9) Innovation	10) Anti-Bribery, Corruption / Anti-Money Laundering

Legend

High	Medium	Low
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SUSTAINABILITY REPORT

The material ESG factors have been reviewed by Captii's Board of Directors and determined being relevant. Management strives to embrace the UN Global Compact and at present adopts a best-effort approach in observing the spirit and intent of the ten principles. Although its efforts to uphold the ten principles are not presently embedded in its operational policy and procedure documentation, the work culture of Captii's businesses is consistent with the principles.

Moving forward, to keep abreast of critical issues, Management will review annually Captii's material ESG factors against the changing business environment, stakeholder opinions, and emerging global and local trends.

SUSTAINING GROWTH

ENVIRONMENTAL MANAGEMENT

Environmental sustainability forms an integral part of Captii's sustainability philosophy. At Captii, we endeavour to integrate the best sustainability practices and compliance across our value chain to reduce adverse environmental impact on the ecosystem. Given that our businesses have operations that are concentrated in offices; the impact on the environment is relatively limited and confined largely to resource and energy efficiency. In our daily operations, we continue to be committed on recycling, energy-saving practices and undertaking measures to reduce wastage, pollution and harmful emissions.

Captii is committed and strive to improve resource efficiency and reduce our environmental impact. We continue to factor in environmental considerations in our businesses.

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

Captii has also promoted the use of more energy efficient ceiling and desktop fans and heat shielding materials in offices to manage workplace ambient temperatures.

Commitments & Targets

- Continue to explore solutions that minimise environmental impact.
- Maintain energy-efficient equipment and devices at our facilities whenever possible, including LED lights and more energy efficient-cooling solutions.

Electricity Consumption

In FY2018, Captii consumed a total of 296,977 kWh of energy. As this is our first year in data collection, we are not able to provide FY2017 data for comparison.

Waste Management

There was no hazardous waste generated from the business operations for FY2018. Non-Hazardous waste, from the business operation, which includes old and malfunction equipment, such as computer, hard disk, etc are disposed off through third party IT refurbishment company periodically.

Environmental Compliance

Captii remains committed to comply with all applicable legal requirements enforced by local governing authorities and relevant enforcers. Captii's operations continue to conform to local environmental laws and regulations. All employees of Captii and that of contractors and consultants are encouraged to be proactive and forthcoming in managing and reporting environmental related issues and complaints.

The environmental regulations that we comply include amongst others those listed below in Table 1.

TABLE 1. ENVIRONMENTAL COMPLIANCE REQUIREMENTS

Compliance
Environmental Quality Act 1974 (and its Amendments)
Environmental Quality (Scheduled Wastes) Regulations 2005
Environmental Quality (Sewage) Regulations 2009
Environmental Quality (Clean Air) Regulations 2014
Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015
Land Conservation Act 1960

During the reporting period, there were no incidents of non-compliance and penalties pertaining to environmental-related issues. To maintain the highest standard of environmental compliance and to prevent future occurrence of incidence, Management will continue to review and improve current environmental management system and practices and ensure that all our activities and operations comply with existing regulatory requirements.

SUSTAINABILITY REPORT

PRODUCT EXCELLENCE

We believe that our financial viability hinges on customer satisfaction and our ability to meet customer demand for our product and services. Captii remains committed to execution excellence and building enduring relationships with not only our customers, but key stakeholders in our value chain.

- Internal quality control and timely respond to our customers.
- 24-hour customer careline for customers to lodge feedbacks on service issue.
- Feedback from customers including complaints are documented for future improvement and development of products and services.

Commitments & Targets

- Continue to achieve product excellence through innovation and technology.
- Continue to maintain a high level of customer satisfaction across our businesses.

SUPPLY CHAIN MANAGEMENT

Captii continues to support local business by procuring supplies from them and contracting services locally. We believe that a strong local supply chain through productive partnership is vital to the growth of our business.

By such support, we believe that we can positively contribute to the local economy. We select partners who share our work ethics and values and who are willing to provide quality products and services in a responsible manner.

In cases where local suppliers are not suitable, we will source internationally. Where outsourcing is practised, we will ensure that the products conform to our sustainable policies and are labelled with "good manufacturing practices". We believe Captii's long-term business is built mainly on the trust and confidence of customers. Therefore, feedback from customers measured by customer satisfaction rates and customer complaints are documented for future improvement on development of products and services.

REGULATORY COMPLIANCE

Given the geographical diversity of our businesses, we closely monitor developments in the laws and regulations of countries where Captii operates to ensure that our businesses and operations comply with all relevant laws and regulations.

All our key employees affirm their understanding of the code of business conduct annually. We regularly engage with local government authorities and agencies to keep abreast of changes to laws and regulations.

We recognise that non-compliance with laws and regulations not only has significant financial impact but potentially detrimental reputational impact on Captii.

Commitments & Targets

- We are fully committed to strengthening our regulatory compliance framework. Our emphasis is clear and consistently reiterated. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.

The Audit Committee supports the Board in its oversight of regulatory compliance and is responsible for driving Captii's focus on implementing effective compliance and governance systems. At an operational level, the respective business segments and department within business segments are responsible to identify, self-assess the adequacy and effectiveness of mitigating measures, and manage their financial, operational, compliance and reputational related risks.

See Corporate Governance, pages 19 and 26.

In FY2018, there were no incidents of regulatory non-compliance across Captii's business segments. Captii continues to work towards reinforcing a full compliance culture.

EMPOWERING LIVES

LABOUR PRACTICES & HUMAN RIGHTS

Our employees are one of our most valuable assets. We are committed to fair employment practices, uphold human rights principles and invest in developing and training our people. At Captii, we strive to foster an inclusive and performance driven work environment to attract, retain and develop our talents. We are an equal opportunity employer and have instituted a fair system to ensure equal opportunities and non-preferential treatment for all employees. There is no preference or prejudice towards religion, age, ethnicity, any physical disability or gender. Employees are required to observe and adhere all relevant policies and practices. As at 31 December 2018, the Captii has a total number of 189 employees. Staff turnover has been maintained below the target rate.

We continue to engage our workforce and implement initiatives to achieve our long-term goal of improving collaboration and workplace innovation. Employee engagement initiatives are organised throughout the year to forge stronger bonds among employees and enhance communication between management and staff.

Commitments & Targets

- Continue to promote diversity and equal opportunity in the workplace.
- Further develop our workforce through tech-enabled and self-paced training programmes.

SUSTAINABILITY REPORT

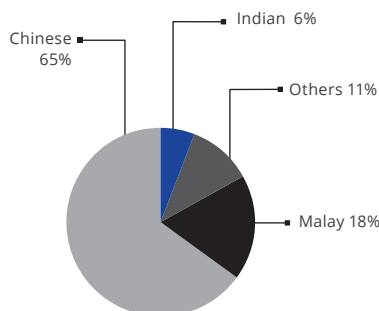
Learning & Development

To encourage and support our employees to develop their fullest potential and have a fulfilling career, Captii places priority on learning and development programmes. Our learning and development roadmap also accounts for future skills required to improve the efficiency of the business. We customise and design training and development activities based on employees' training needs and work requirements. Captii will continue to provide training and education opportunities through comprehensive development programmes going forward and promote a conducive corporate environment where everyone could achieve their potential.

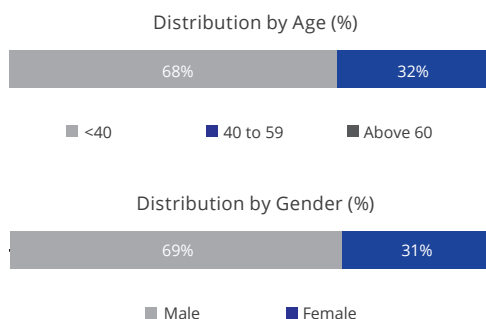
Workforce Diversity & Inclusion

We believe that people should have access to the same opportunities regardless of their ethnicity, religion, gender, marital status or age. We value diversity and inclusion and are committed to the principle of equal employment opportunity. Our hiring policies ensure equal employment opportunities for all. New hires are considered based on individual competencies as well as organisational and job fit. Our employment statistics illustrate the following diversity in our workforce.

Embracing Diversity in Workforce



As at 31 December 2018, below are our employees' distribution by age and gender.



Captii believes that hiring from local communities enhances our ability to understand local needs and strengthen our capabilities on the ground. Captii offers graduate placement programmes, industrial training and internships.

We believe in developing local talent to assume management positions. As of 31 December 2018, 90% of senior management across our business segments are local.

Compliance with Applicable Employment Laws & Regulations

During the period under review, there were no incidents of non-compliance with the applicable employment laws and legislations which include amongst others, those set out in Table 2 below.

TABLE 2. EMPLOYMENT COMPLIANCE REQUIREMENTS

Compliance
Employment Act 1955
Insurance System Act 2017 (EIS)
Social Security Act 1969
Employee's Provident Fund Act 1991
Personal Data Protection Act 2010
Income Tax Act 1967
Industrial Relation Act 1967
Pembangunan Sumber Manusia Berhad Act, 2001
The Contract Act 1950
Employment (Termination and Lay-Off Benefits) Regulations 1980
Industrial Court (Digital Recording of Proceedings) Rules 2015
Immigration Act 1966
Minimum Retirement Age Act 2012

Captii strives to continuously cultivate a transparent and inclusive environment for all employees, as well as ensure a top-down approach to promote fair and ethical business dealings. We maintain zero tolerance for unethical labour practices such as child labour, forced labour, slavery and human trafficking in all our operations.

Captii also have an open-door policy where employees are encouraged to speak-up or report grievances directly to their superior, head of department, human resource department, chief executive officer and/or independent directors. This is to reinforce our commitment to our employees to provide them with a workplace that is healthy, safe and secure. Across our business segments, there were no grievance cases reported in FY2018.

SUSTAINABILITY REPORT

HEALTH & SAFETY MANAGEMENT

Captii remains committed to maintaining a safe and productive environment, free from harassment in which all individuals are treated with respect and dignity and we expect all our employees and individuals that always work at our sites to follow our health and safety policies and procedures and be free from substance abuse.

Our employees and partners are assured of a safe working environment through our Health & Safety and Environment Management system (HSEMS). While the HSEMS serves as a point of reference, additional measures have been taken to cultivate a safety-first culture through various initiatives.

Processes and systems are in place to identify, mitigate and report risks and communicate best practices and we work with our contractors and subcontractors to ensure that they understand our requirements and expectations.

In FY2018, there were no incidents of fatalities across Captii’s operations.

Commitments & Targets
<ul style="list-style-type: none">• Strive to raise awareness, maintain vigilance and foster a strong HSE-centric culture particularly at the ground level.• Leverage technology to drive improvements in safety performance.

We have a Health and Safety Committee to ensure that the Company complies with the Occupational Safety and Health Act, 1994. The Company strives to continue maintain its health & safety standards and drive continuous improvement in our Operational Health and Safety performance.

CORPORATE INFORMATION

Board of Directors:	Wong Tze Leng Anton Syazi Ahmad Sebi Phuah Peng Hock Chuah Seong Phaik Lee Su Nie	(Group Executive Chairman) (Group Executive Director) (Lead Independent Director) (Independent Director) (Non-Independent Non-Executive Director)
Company secretaries:	Toon Choi Fan, ACIS Ang Siew Koon, ACIS	
Registered office:	140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015	
Share registrar:	Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623	
Auditors:	RSM Chio Lim LLP 8 Wilkie Road #03-08, Wilkie Edge Singapore 228095	
Bankers:	DBS Bank Ltd HSBC Bank Malaysia Berhad	

BOARD OF DIRECTORS

Wong Tze Leng

Group Executive Chairman

Wong Tze Leng was appointed Executive Chairman of the Company and the Group on 10 August 2010. Tze Leng previously served as Group Chief Executive Officer, a position he held from 22 December 2002 until his appointment as Executive Chairman. Tze Leng was last re-elected to the Board on 26 April 2018 and has over 20 years' experience in the information technology industry, with specific expertise in the telecommunications sector. Tze Leng sits on the Board of various subsidiaries and associated company of Captii Limited. He started his career in 1988 as an Engineer in the Singapore Institute of Standards & Industrial Research's design and development centre. He gained specialised expertise in computer telephony technology when he joined Federal Computer Services Pte Ltd in 1990 as a Software Engineer and later progressed to the position of Software Manager.

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

Anton Syazi Ahmad Sebi

Group Executive Director

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

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

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

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

Phuah Peng Hock

Lead Independent Director

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

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

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

Chuah Seong Phaik

Independent Director

(Paul) Chuah Seong Phaik was appointed to the Board on 18 December 2003 and was last re-elected on 26 April 2018. Paul has extensive experience in audit, finance and management including eight years as the Finance Director of a main board listed company on Bursa Malaysia Securities Berhad. He is the founder and Chairman of Messrs PCCO PLT Chartered Accountants.

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

BOARD OF DIRECTORS

Lee Su Nie

Non-Independent Non-Executive Director

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

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

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

KEY EXECUTIVES

CAPTII

Ho Ting Sai

General Manager & Head, Group Business Development

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

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

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

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

Chin Wei Li

Group Financial Controller & Head, Human Resources

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

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

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

Ng Sai Kit

*General Manager - Investments & Corporate
Chief Executive Officer, Captii Ventures*

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

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

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

Phang Deng Sheng

General Manager – Finance

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

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

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

KEY EXECUTIVES

UNIFIEDCOMMS

Yong Choon Vooi

Chief Executive Officer

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

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

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

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

POSTPAY

Yap Wai Shoong

Chief Executive Officer

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

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

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

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

GLOBEOSS

Ann Wan Kuan

Chief Executive Officer

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

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

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

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and management of Captii Limited ("the Company") remain committed to observing and maintaining a high standard of corporate governance to protect the interests of shareholders and other stakeholders and to promote investors' confidence. This report describes the Company's corporate governance practices with reference to the principles and guidelines set out in the revised Code of Corporate Governance 2012 (the "Code") and the extent of compliance thereto. In areas where the Company deviates from the Code, the rationale is provided. The Monetary Authority of Singapore has issued a Revised Code of Corporate Governance ("The Revised Code") that applies to Annual Reports covering financial years commencing from 1 January 2019. Accordingly, the Company will adopt The Revised Code for its financial year ending 31 December 2019 (FY2019).

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;
2. Approving the annual budget, reviewing the performance of the business and approving the release of the quarterly and year end results announcement of the Company to shareholders;
3. Providing guidance in the overall management of the business and affairs of the Group;
4. Overseeing the processes for risk management, financial reporting and compliance;
5. Approving the recommended framework of remuneration for the Board and key executives by the Remuneration Committee; and
6. Considering sustainability issues in evaluating the environmental, social and governance risks and opportunities ("ESG" factors) relevant to the Group during the formulation of business strategy, objectives and performance measurements.

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

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

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

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

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

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

There was no new director appointment during the financial year ended 31 December 2018. Upon appointment of each new director, a formal letter, setting out the director's duties and obligations shall be provided by the Company. In addition, all newly appointed directors will be given briefings by management on the history, business operations and corporate governance practices of the Company. The directors are provided with regular briefings and updates on changes in the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act and other regulations/ statutory requirements, as well as developments in financial reporting standards, from time to time for them to keep pace with changes in the regulatory environment and commercial risks.

Briefings and updates provided to the directors in 2018:

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

CORPORATE GOVERNANCE REPORT

Table A: Directors Attendance at Board and Board Committee Meetings

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

(n.a.-not applicable)

Table B: Members of the Board

Executive Directors	Independent Directors	Non-Independent Non-Executive Director
Wong Tze Leng Anton Syazi Ahmad Sebi	Phuah Peng Hock Chuah Seong Phaik	Lee Su Nie

In addition, the directors are encouraged to attend other seminars and training, or to seek independent professional advice, where relevant and appropriate, to enable them to discharge their duties. Some of the training attended by some of the directors in 2018 includes:

1. Corporate Governance Briefing Sessions: Malaysian Code of Corporate Governance Reporting & CG Guide on 15 March 2018;
2. Malaysian Tax Conference 2018 on 17 & 18 April 2018;
3. Accounting for Financial Instruments in Accordance with MPERS on 13 August 2018;
4. Cryptocurrency, Blockchain & Beyond: A Cautionary Tale 2018 on 25 September 2018;
5. Gearing up for Corporate Liability on 10 October 2018;
6. Policing to Consulting workshop for Chief Internal Auditor on 16 October 2018;
7. 2019 Budget Seminar on 21 November 2018;
8. Sales Tax and Service Tax (SST) In-House Training on 23 November 2018;
9. MFRS 15 Revenue from Contracts with Customers & Application to Contacts and Property Development Activities on 26 November 2018; and
10. Anti Money Laundering & Anti Terrorism Financing – Directors & Senior Management Briefing on 29 November 2018.

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

Principle 2: Board Composition and Guidance

The Board currently comprises five (5) directors, two (2) of whom are Independent Directors and one (1) Non-Executive Director. The Independent Directors make up more than one-third of the Board, thus providing a pivotal role in ensuring that there is balance of power and authority. Each of the Independent Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The current Independent Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group.

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

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

As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board, the Board believes that the Executive Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group. The Board is in the process of identifying suitable candidates to comply with the guideline stated in the Code which requires Independent Directors to make up at least half of the Board.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

Principle 3: Chairman and Executive Director

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

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

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

- (b) Exercising control over quality, quantity and timeliness of the flow of information between management and the Board;
- (c) Ensuring compliance with the Company's guidelines on corporate governance; and
- (d) Facilitating the effectiveness contribution of Non-Executive Directors.

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

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

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

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

Principle 4: Board Membership

Principle 5: Board Performance

Nominating Committee ("NC")

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

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

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

The key terms of reference of the NC:

1. To review and make recommendations to the Board on:
 - (a) The Board succession plans for directors;
 - (b) The process for performance evaluation of the Board;

CORPORATE GOVERNANCE REPORT

- (c) The training and professional development programs for the Board; and
 - (d) The appointment and re-appointment of directors.
2. To determine annually whether a director is independent;
 3. To decide whether or not each director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations;
 4. To decide on how the Board's performance may be evaluated and propose objective performance criteria to the Board; and
 5. To assess the effectiveness of the Board as a whole and the contributions by each individual director to the effectiveness of the Board.

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

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

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

The profile that comprises key information of each of the directors is provided in page 15 to 16 of this Annual Report.

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

The NC has reviewed the training needs for the directors in 2018 and encouraged directors to attend the relevant training courses that could enhance their knowledge to perform their duties as directors of the Company.

Pursuant to the Company's Constitution:

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

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

As such, the Board has accepted the NC's recommendation that Anton Syazi Ahmad Sebi and Phuah Peng Hock, who are retiring pursuant to Article 103 of the Company's Constitution, be nominated for re-election at the forthcoming AGM (collectively the "Retiring Directors" and each a "Retiring Director"). In making the recommendation, the NC had considered the directors' overall contributions and performance.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the additional information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out in Table F.

Mr Anton Syazi Ahmad Sebi will, upon re-election as Director, remain as Executive Director. Mr Phuah Peng Hock will, upon re-election as Director, remain as Lead Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees.

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

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

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

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

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

Principle 6: Access to Information

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

The directors have separate and independent access to the Company's management and the Company Secretary at all times. Directors are entitled to request from management

CORPORATE GOVERNANCE REPORT

and should be provided with such information as needed to make informed decisions in a timely manner. The Executive Chairman also keeps the Non-Executive Directors informed, in between Board meetings, on the status of on-going initiatives by the Group. Should the directors, whether as a group or individually, require independent professional advice; such professionals (who will be selected with the approval of the Executive Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

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

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

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

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

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

The RC's key terms of reference include:-

1. To review and recommend to the Board a general framework of remuneration and specific remuneration packages for the Board and key executives;
2. To review and ensure that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate and commercially competitive;
3. To structure a significant and appropriate proportion of Executive Directors' and key executives' remuneration so as to link rewards to corporate and individual performance;
4. To review and ensure the remuneration of Non-Executive Directors to be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors; and
5. To consider the various disclosure requirements for directors' remuneration, particularly those required by regulatory bodies such as SGX-ST.

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

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

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

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

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

The Executive Chairman is currently serving his service agreement which he has renewed for a further period of three (3) years with the Company on 14 December 2018 ("Service Agreement"). The Service Agreement covers the terms of employment, specifically salary and other benefits.

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

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

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

Remuneration of Directors

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

CORPORATE GOVERNANCE REPORT

Table C: Bands of Directors' Remuneration

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

Note:

- (1) Pursuant to prevailing Service Agreement that renewed on 14 December 2018, Wong Tze Leng's remuneration consists of fixed salary, allowance and performance bonus.
- (2) Anton Syazi Ahmad Sebi's remuneration represents fixed allowance & benefits.
- (3) The remuneration in the form of directors' fees is subject to the approval by the shareholders at the forthcoming AGM.
- (4) Fees are payable to Advance Synergy Berhad.

Table D: Remuneration Band of Key Executives

Name	Fee %	Salary %	Bonus %	Allowance & Benefits %	Long Term Incentives %	Total %
Below \$S\$250,000						
Chin Wei Li	–	72	6	22	–	100
Ng Sai Kit	–	64	13	23	–	100
Phang Deng Sheng (Danson)	–	64	13	23	–	100
Ho Ting Sai	–	83	7	10	–	100
Yong Choon Vooi	–	65	8	27	–	100
Yap Wai Shoong (Patrick)	–	66	14	20	–	100
Ann Wan Kuan	63	–	32	5	–	100

In aggregate, the total remuneration paid and payable to the directors for the financial year ended 31 December 2018 is \$S\$397,000.

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

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

Remuneration of Key Executives

Details of remuneration paid to the top seven (7) key executives (who are not directors of the Company) of the Group for the financial year is set out below. For competitive reasons, the Company is only disclosing the bands of remuneration of each executive for the financial year under review in Table D.

In aggregate, the total remuneration paid and payable to the top 7 key executives for the financial year ended 31 December 2018 is \$S\$1,101,000.

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

The Group's system of risk management and internal controls provides reasonable and adequate assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

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

Based on the system of internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Audit Committee and the Board are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls and risks management system were adequate as at 31 December 2018. This is in turn supported by assurance from the Executive Chairman and the Group Financial Controller that:

- (a) The financial records of the Group have been properly maintained and the consolidated financial statements for the financial year ended 31 December 2018 give a true and fair view of the Group's operations and finances;

- (b) They have crafted a system of internal controls to ensure material information relating to every company in the Group is disclosed on a timely basis by relevant person-in-charge of reporting;
- (c) They have evaluated the effectiveness of the Group's internal control system as at 31 December 2018; and
- (d) They have disclosed to the internal and external auditors and the Board, any significant deficiencies in the internal control system that could adversely affect the ability to record and report its financial data, fraud involving the management or other employees, and material weaknesses and significant deficiencies in the internal controls policy.

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

Principle 12: Audit Committee

The Audit Committee ("AC") comprises:

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

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

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

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

- (a) To review with the independent external auditors their audit plan;
- (b) To review with the independent external auditors their evaluation of the Company's internal accounting controls relevant to their statutory audit, their report on the financial statements, the key audit matters and the assistance given by the Company's officers to them;
- (c) To review with the internal auditors their audit plan, scope and results of the internal audit procedures;
- (d) To review the financial statements of the Group and the Company prior to their submission to the Board for adoption;
- (e) To review the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST);

CORPORATE GOVERNANCE REPORT

- (f) To review the internal control and procedures and ensure co-ordination between the external auditors and the management;
- (g) To review the significant financial reporting issues and judgments so as to ensure the integrity of the Group's financial statements and any related announcements;
- (h) To approve the hiring, removal, evaluation and compensation of the internal auditors;
- (i) To review and report to the Board, at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems;
- (j) To review the independence of the external auditors annually and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors; and
- (k) To assist the Board in evaluating the ESG factors relevant to the Group during the formulation of business strategy, objectives and performance measurements.

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

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

The fees paid to the external auditors for financial year ended 31 December 2018 amounted to S\$146,000 and S\$26,000 for audit and non-audit services respectively.

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

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

The whistle blowing policy is overseen by the AC and Whistle-Blowing Committee ("WBC") which comprises i) Head of Group Human Resources; ii) General Manager – Investments & Corporate; and iii) Head of Risk Management (employed under the ultimate holding company). To ensure independent

investigation of such matters and confidentiality protection of the whistleblower, reports can be sent to any of the members above for their relevant actions, such as investigation and follow-up action. To-date, no reports of misconduct or impropriety have been received by the AC or WBC.

During the financial year 2018, the AC carried out the following activities:

- (a) Reviewing quarterly and full year financial statements (audited and unaudited) and recommended to the Board for approval;
- (b) Reviewed and approved the interested/related party transactions;
- (c) Reviewed and approved the annual audit plan and report of the external auditors including key audit matters as stated in the Independent Auditors' Report;
- (d) Reviewed and approved the annual internal audit plan, reports of internal auditors and appointment of internal auditors;
- (e) Reviewed the appointment of RSM Chio Lim LLP as the external auditors and determined their remuneration, and made a recommendation for Board approval;
- (f) Met with the external auditors and internal auditors each once without the presence of management;
- (g) Reviewed the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system;
- (h) Noted the assurance from the Executive Chairman and Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (i) Assisted the Board in evaluation the ESG factors relevant to the Group during the formulation of business strategy, objectives and performance measurements.

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

Principle 13: Internal Audit

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

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

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

- (i) SGXNET announcements and news releases;
- (ii) Annual Reports prepared and issued to all shareholders; and
- (iii) Investor Relations website at captii.listedcompany.com where shareholders can access investor-related information on the Company.

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

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

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

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

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

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

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

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

The Company does not have a fixed dividend policy. In considering the amount, frequency and form of dividend payments, the Board takes into account the Group's financial results, cash position, capital requirements of the Group's growth and development plan, the Company's retained earnings and other factors. The Company paid interim dividend of 1.25 cents per share on 18 September 2018.

ADDITIONAL INFORMATION

DEALING IN SECURITIES

(SGX-ST Listing Manual Rule 1207(19))

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

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

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

The Group's financial risk management is discussed under Note 31 to the Financial Statements, on pages 82 to 85 of this Annual Report.

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

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

(SGX-ST Listing Manual Rule 907)

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. Particulars of the interested person transactions for the financial year ended 31 December 2018, disclosed in accordance with Rule 907 of SGX-ST's Listing Manual are set out in Table E.

MATERIAL CONTRACTS

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

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

Table E: Particulars of the Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
AESBI Power Systems Sdn Bhd *	241	229	-	-

Note:

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

* A wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd (a wholly-owned subsidiary of Advance Synergy Berhad, the Group's ultimate holding company).

Table F: Additional Information on Directors Seeking Re-election

	Anton Syazi Ahmad Sebi	Phuah Peng Hock
Date of appointment	22 June 2006	18 December 2003
Date of last re-appointment	28 April 2016	26 April 2017
Age	42	62
Country of principal residence	Malaysia	Singapore

CORPORATE GOVERNANCE REPORT

	Anton Syazi Ahmad Sebi	Phuah Peng Hock
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Anton Syazi Ahmad Sebi for re-appointment as Executive Director of the Company.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences and suitability of Mr. Phuah Peng Hock for re-appointment as Independent Director of the Company. The Board have reviewed and conclude that Mr. Phuah possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for overseeing the Postpay business and the Group's venture investment and corporate development activities.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director	Lead Independent Director, Chairman of the Remuneration Committee, and member of the Audit Committee and Nominating Committee.
Professional qualifications	<ul style="list-style-type: none"> • Bachelor of Science in Economic London School of Economics, University of London. • Master of Arts in Finance Webster University Graduate Studies Center, London. • Investment Management Certificate UK Society of Investment Professionals. 	<ul style="list-style-type: none"> • Master Degree in Entrepreneurship & Innovation Swinburne University of Technology, Australia. • Graduate Diploma in Marketing Chartered Institute of Marketing, United Kingdom. • Diploma of Marketing Management Marketing Institute of Singapore. • Bachelor of Engineering (Hon) University of Strathclyde, United Kingdom.
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> • 2017 - present Re-designated as Executive Director of Captii Limited and appointed as Executive Deputy Chairman of Advance Synergy Berhad, the Group's ultimate holding company • 2010 - 2017 Group Chief Executive Officer • 2005 - 2010 Group Deputy Chief Executive Officer 	<ul style="list-style-type: none"> • 2014 - present Lead Independent Director of Captii Limited • 2003 - 2014 Independent Director of Captii Limited • 2004 - present Managing Director of Aviha Consulting Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Direct interest - 517,600 ordinary shares	No
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	Son of Dato' Ahmad Sebi Bakar (Non-Executive Group Chairman of Advance Synergy Berhad, the Company's ultimate holding company and substantial shareholder).	No
Conflict of Interest (including any competing business)	No	No

CORPORATE GOVERNANCE REPORT

	Anton Syazi Ahmad Sebi	Phuah Peng Hock
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* (Other Than Directorships)	No	No
Past Directorships (for the last 5 years)	No	No
Present Directorships	Advance Synergy Berhad Acrylic Synergy Sdn Bhd Advance Synergy Properties Sdn Bhd Advansa Sdn Bhd Adzentrum Sdn Bhd Ahead Mobile Sdn Bhd Arin Capital Sdn Bhd Artem Ventures Sdn Bhd Bagan Bidara Sdn Bhd Bamboo Wave Sdn Bhd Bright Existence Sdn Bhd Budaya Dinamik Sdn Bhd Cambell House Sdn Bhd Carta Bintang Sdn Bhd Cosmopolitain Fashion Groupe Sdn Bhd Costellan (M) Sdn Bhd Datakey Sdn Bhd Diversified Gain Sdn Bhd Eighth Review (M) Sdn Bhd Envio Tech Sdn Bhd Holiday Villa Hotels & Resorts Sdn Bhd Home Cinema Studios (M) Sdn Bhd Kibar Konsep Sdn Bhd Metroprime Corporation Sdn Bhd Motorsports Adventure Sdn Bhd OET Money Service Sdn Bhd Orient Escape Travel Sdn Bhd Orient Escape Travel (Penang) Sdn Bhd Pacific Existence Sdn Bhd Postpay Asia Sdn Bhd Postpay Sdn Bhd Postpay Technology Sdn Bhd Paydee Sdn Bhd Rangkai Global Sdn Bhd Segi Koleksi Sdn Bhd Sisipan Nusa Sdn Bhd SJ Securities Sdn Bhd Sjenie Sdn Bhd Suasana Dinamik Sdn Bhd Synergy Tours Sdn Bhd Unified Assets Sdn Bhd Unified Communications Sdn Bhd Unified Communications (OHQ) Sdn Bhd Unified Communications (OSS) Sdn Bhd Urban Habitat Sdn Bhd Captii Limited Antigo Developments Limited Aquaint Capital Limited Arin Capital Limited Artem Ventures Pte Ltd Betula Ascot Limited Breville Global Limited Builderworks Pty Ltd Captii Ventures Pte Ltd	Captii Limited Aviha Consulting Pte Ltd Synerwealth Pte Ltd Primoris Pte Ltd Wealthedge Pte Ltd

CORPORATE GOVERNANCE REPORT

	Anton Syazi Ahmad Sebi	Phuah Peng Hock
	Demonton Investments Limited Duston Investments Ltd GlobeOSS (Brunei) Sdn Bhd Gloxinia Holdings Limited Helenium Holdings Limited Holiday Villa (UK) Ltd Home Cinema Studio Pty Ltd Leeds Property Limited Pacific Maiden Holdings Limited Posthotel Arosa AG Stockdale Global Limited Sun Global Developments Limited Unified Communications Pte Ltd Unified Communications (Private) Limited Unified Communications (Tech) Pte Ltd Unified Telecom Private Ltd Urban Alphabet Limited Urban D Limited Urban W Limited 57-59 Philbeach Gardens Limited	
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.		
	Anton Syazi Ahmad Sebi	Phuah Peng Hock
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 judgment 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, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
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

CORPORATE GOVERNANCE REPORT

	Anton Syazi Ahmad Sebi	Phuah Peng Hock
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, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
<p>i) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <ul style="list-style-type: none"> 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 <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	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		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N/A	N/A

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

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

2. Directors

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

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

3. Directors' interests in shares and debentures

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

Name of directors and companies in which interests are held	Shareholdings registered in the name of director or nominee		Shareholdings in which director is deemed to have an interest	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The company	Number of ordinary shares of no par value			
Wong Tze Leng ^(a)	1,903,432	1,903,432	–	–
Anton Syazi Ahmad Sebi ^(b)	517,600	517,600	–	–
Chuah Seong Phaik	–	–	100,000	100,000
Lee Su Nie ^(c)	20,000	20,000	–	–

(a) Held through Citibank Nominees Singapore Pte Ltd

(b) Held through Raffles Nominees Pte Ltd

(c) Held through Phillip Securities Pte Ltd

STATEMENT BY DIRECTORS

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

Name of directors and companies in which interests are held	Shareholdings registered in the name of director or nominee		Shareholdings in which director is deemed to have an interest	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
<u>Ultimate parent company</u>	<u>Number of ordinary shares of no par value</u>			
- Advance Synergy Berhad				
Anton Syazi Ahmad Sebi	-	-	30,467,000	30,467,000
Lee Su Nie	-	-	365,000	365,000
<u>Related body corporate</u>	<u>Number of ordinary shares of no par value</u>			
- Acrylic Synergy Sdn Bhd				
Anton Syazi Ahmad Sebi	1	1	-	-
- Segi Koleksi Sdn Bhd				
Anton Syazi Ahmad Sebi	-	-	105,000	105,000
- Metroprime Corporation Sdn Bhd.				
Anton Syazi Ahmad Sebi	-	-	350,000	350,000
- Posthotel Arosa AG				
Anton Syazi Ahmad Sebi	-	-	3,150	3,150
- 57-59 Philbeach Gardens Ltd				
Anton Syazi Ahmad Sebi	-	-	-	1

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

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

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

5. Options

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

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

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

6. Independent auditor

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

STATEMENT BY DIRECTORS

7. Report of audit committee

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

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

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

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

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

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

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 26 February 2019, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Wong Tze Leng
Director

Anton Syazi Ahmad Sebi
Director

18 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Captii Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2018, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

a) *Impairment testing of goodwill*

Refer to Note 2A "Goodwill", "Impairment of non-financial assets" and Note 2C "Estimated impairment of goodwill" for relevant accounting policies and discussion of significant accounting estimates, and Note 16 "Intangible assets" for the key assumptions used in impairment testing of goodwill.

As at the reporting year end, the group has goodwill of \$10.1 million, which comprised 18% of the group's total assets, which arose from the acquisition of business. The amounts are allocated to certain cash generating unit ("CGU") as at 31 December 2018. The CGU and goodwill are assessed annually for impairment. Management uses the value-in-use method to determine the recoverable amount of goodwill. The value-in-use calculation requires management of the entity to estimate the future cash flows expected to arise from the CGU as well as a suitable discount rate in order to calculate present value of the recoverable amount of each CGU. In estimating the future cash flows of the CGU, management forecasted the revenue, growth rates and margins based on presently available information. These estimates require judgement and the determination of the recoverable amount is a key area of focus.

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

b) *Fair value of unquoted investments*

Refer to Note 2A "Fair value measurement", "Financial assets" and Note 2C "Fair value of unquoted investments" for relevant accounting policies and discussion of significant accounting estimates, Note 19 "Investment in an associate" and Note 20 "Other financial assets" for the key assumptions used in determining the fair value of the unquoted investments.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

Key audit matters (cont'd)

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

Unquoted investments, comprised mainly of unquoted equity investments and unquoted debt securities, amounted to \$11.2 million and represented approximately 20% of the group's total assets, as at 31 December 2018. The fair value of these financial assets are determined with the assistance of independent external specialists and applying valuation methodology that involved difficult and complex management's judgments because these securities are not traded in an active market. The determination of the fair value of the financial instruments using Level 3 inputs is considerably more subjective given the lack of availability of market-based data. For investments acquired during the year where there is a lack of observable inputs and profits and/or cash flows cannot be reliably determined, management considers various indicators where cost might not be representative of fair value.

We assessed the basis and process used by management in determining the fair value, and the appropriateness of the valuation methodologies used to revalue the unquoted financial instruments. The audit team was supported by our in-house valuation specialists to assess whether the valuations arrived at by the group were appropriate by reference to acceptable valuation practice, market practice and SFRS(I) 13. We have also assessed the independence, competence and experience of the independent external valuer used by management in assessing their objectivity, professional qualifications and resources. As part of these audit procedures, we assessed the reasonableness of key inputs and assumptions used in the valuation, by benchmarking them with external data. Finally, we have also assessed the adequacy of the disclosures made in the financial statements about the degree of estimation made when valuing these unquoted investments.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPTII LIMITED

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

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Mong Sheong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

18 March 2019

Engagement partner - Effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 \$'000	Group 2017 \$'000
Revenue	5	31,476	24,807
Cost of sales		(19,483)	(13,466)
Gross profit		11,993	11,341
Interest income	6	98	154
Other gains	7	1,000	52
Technical support expenses		(3,643)	(3,069)
Distribution costs		(1,298)	(1,290)
Administrative expenses		(3,440)	(3,404)
Other losses	7	(1,007)	(970)
Finance costs	9	(27)	-
Profit before tax		3,676	2,814
Income tax expense	11	(292)	(514)
Profit net of tax		3,384	2,300
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		13	887
Total comprehensive income for the year		3,397	3,187
Profit for the year attributable to:			
- Owners of the company		2,341	1,166
- Non-controlling interests		1,043	1,134
		3,384	2,300
Total comprehensive income for the year attributable to:			
- Owners of the company		2,370	1,970
- Non-controlling interests		1,027	1,217
		3,397	3,187
Earnings per share		Cents	Cents
- Basic and diluted earnings per share	12	7.32	3.65

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31.12.2018	Group 31.12.2017	1.1.2017
		\$'000	\$'000	\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	14	1,825	1,694	1,288
Investment property	15	2,305	2,660	2,588
Intangible assets	16	11,050	11,646	11,582
Investment in a joint venture	18	–	–	–
Investment in an associate	19	2,255	1,860	1,819
Other financial assets	20	8,948	7,439	5,370
Deferred tax assets	11	1,313	933	436
Total non-current assets		27,696	26,232	23,083
<u>Current assets</u>				
Inventories	21	488	45	26
Trade and other receivables	22	16,549	17,035	17,100
Other assets	23	2,330	3,346	585
Cash and cash equivalents	24	8,686	7,391	9,055
Total current assets		28,053	27,817	26,766
Total assets		55,749	54,049	49,849
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	25	31,948	31,948	31,948
Retained earnings		15,371	13,429	13,062
Foreign currency translation reserve (adverse balance)		(8,293)	(8,322)	(9,126)
Equity, attributable to owners of the company		39,026	37,055	35,884
Non-controlling interests		4,080	3,151	2,405
Total equity		43,106	40,206	38,289
<u>Non-current liability</u>				
Deferred tax liabilities	11	53	305	500
Total non-current liability		53	305	500
<u>Current liabilities</u>				
Income tax payable		102	359	241
Trade and other payables	26	7,047	11,604	8,818
Other liabilities	27	3,423	1,575	2,001
Borrowings	28	2,018	–	–
Total current liabilities		12,590	13,538	11,060
Total liabilities		12,643	13,843	11,560
Total equity and liabilities		55,749	54,049	49,849

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31.12.2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
ASSETS				
<u>Non-current asset</u>				
Investments in subsidiaries	17	33,892	32,734	32,734
Total non-current asset		<u>33,892</u>	<u>32,734</u>	<u>32,734</u>
<u>Current assets</u>				
Trade and other receivables	22	9,205	7,848	5,886
Other assets	23	4	4	4
Cash and cash equivalents	24	1,150	1,231	768
Total current assets		<u>10,359</u>	<u>9,083</u>	<u>6,658</u>
Total assets		<u><u>44,251</u></u>	<u><u>41,817</u></u>	<u><u>39,392</u></u>
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	25	31,948	31,948	31,948
Retained earnings		10,055	8,784	6,644
Total equity		<u>42,003</u>	<u>40,732</u>	<u>38,592</u>
<u>Current liability</u>				
Trade and other payables	26	2,248	1,085	800
Total current liability / total liability		<u>2,248</u>	<u>1,085</u>	<u>800</u>
Total equity and liabilities		<u><u>44,251</u></u>	<u><u>41,817</u></u>	<u><u>39,392</u></u>

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Total equity	Attributable to parent sub-total	Share capital	Retained earnings	Foreign currency translation reserve	Non-controlling interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current year:						
Opening balance at 1 January 2018	40,206	37,055	31,948	13,429	(8,322)	3,151
Changes in equity:						
Total comprehensive income for the year	3,397	2,370	–	2,341	29	1,027
Dividends paid (Note 13)	(497)	(399)	–	(399)	–	(98)
Closing balance at 31 December 2018	<u>43,106</u>	<u>39,026</u>	<u>31,948</u>	<u>15,371</u>	<u>(8,293)</u>	<u>4,080</u>
Previous year:						
Opening balance at 1 January 2017	38,289	35,884	31,948	13,062	(9,126)	2,405
Changes in equity:						
Total comprehensive income for the year	3,187	1,970	–	1,166	804	1,217
Dividends paid (Note 13)	(1,270)	(799)	–	(799)	–	(471)
Closing balance at 31 December 2017	<u>40,206</u>	<u>37,055</u>	<u>31,948</u>	<u>13,429</u>	<u>(8,322)</u>	<u>3,151</u>
Company				Total equity	Share capital	Retained earnings
				\$'000	\$'000	\$'000
Current year:						
Opening balance at 1 January 2018				40,732	31,948	8,784
Changes in equity:						
Total comprehensive income for the year				1,670	–	1,670
Dividends paid (Note 13)				(399)	–	(399)
Closing balance at 31 December 2018				<u>42,003</u>	<u>31,948</u>	<u>10,055</u>
Previous year:						
Opening balance at 1 January 2017				38,592	31,948	6,644
Changes in equity:						
Total comprehensive income for the year				2,939	–	2,939
Dividends paid (Note 13)				(799)	–	(799)
Closing balance at 31 December 2017				<u>40,732</u>	<u>31,948</u>	<u>8,784</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	3,676	2,814
Adjustments for:		
Interest income	(98)	(154)
Fair value (gain)loss on investments	(888)	351
Gain on disposal of investment	(77)	-
Amortisation of intangible assets	483	540
Depreciation of plant and equipment	527	512
Impairment loss on goodwill	500	-
Impairment loss on intangible assets	12	-
Decrease in fair value of investment property	354	-
Loss on disposal of plant and equipment	-	1
Allowance for impairment on trade receivables	-	6
Write-down of inventories	5	1
Inventories written-off	-	3
Reversal of payables	-	(38)
Interest expense	27	-
Operating cash flows before changes in working capital	4,521	4,036
Inventories	(448)	(29)
Trade and other receivables	427	59
Other assets	1,016	(2,762)
Trade and other payables	(4,586)	2,920
Other liabilities	1,848	(426)
Net cash flows from operations	2,778	3,798
Income taxes paid	(1,102)	(1,171)
Net cash flows from operating activities	1,676	2,627
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(694)	(950)
Investment in an associate	(612)	(305)
Proceeds from disposal of investment	764	-
Investment in other financial assets	(940)	(2,445)
Payments for development costs	(401)	(270)
Interest received	98	154
Net cash flow used in investing activities	(1,785)	(3,816)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(399)	(799)
Dividends paid to non-controlling interests of subsidiary	(98)	(471)
Cash restricted in use	(554)	(1,139)
Proceeds from interest bearing borrowings	2,506	-
Repayment of interest bearing borrowings	(488)	-
Interest expense paid	(27)	-
Net cash flows from (used in) financing activities	940	(2,409)
Net increase (decrease) in cash and cash equivalents	831	(3,598)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	5,266	8,096
Effect of exchange rate changes on cash and cash equivalents	(86)	768
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 24A)	6,011	5,266

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General

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

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

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

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

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

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

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

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Distinct goods or services in a series – For distinct goods or services in a series such as routine or recurring service contracts where the promise under the contract is for a specified quantity of goods or services that meets the over time criteria or is a stand-ready or single continuous service and if the nature of each good or service is distinct, substantially the same and has the same pattern of transfer or each time increment is distinct, then revenue is recognised at the amount that the entity has the right to bill a fixed amount for each unit of goods or service provided.

Distinct goods or services created over time – For long-term service contracts and projects for developing an asset, the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred, relative to the total expected inputs to the satisfaction of that performance obligation.

Provisions for losses on contracts – When the current estimates of the total amount of consideration expected to be received in exchange for transferring promised goods or services to the customer, and contract cost indicate a loss, a provision for the entire loss on the contract is made as soon as the loss becomes evident. An adjustment is also made to reflect the effects of the customer's credit risk. The loss on a contract is reported as an additional contract cost (an operating expense), and not as a reduction of revenue or a non-operating expense.

Other income

Interest income is recognised using the effective interest method.

Employee benefits

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

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

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

Income tax

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

Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Investment property

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

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Intangible assets

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

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

Development costs	-	5 years
Intellectual property	-	5 years

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

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. An investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Joint arrangement – joint venture

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

In the consolidated financial statements, the accounting for investment in a joint venture is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

Business combinations

There were no acquisitions during the reporting year.

Non-controlling interests

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

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Goodwill (cont'd)

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

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

Inventories

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

Impairment of non-financial assets

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

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd):

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss ("FVTPL"): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt asset instruments purchased with an original maturity of three months or less. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2B. Other explanatory information

Provisions

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

Segment reporting

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Estimated impairment of goodwill

An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value-in-use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 16C. The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. Actual outcomes could vary from these estimates. The carrying amount of the group's goodwill as at the end of the reporting year was \$10,060,000 (2017: \$10,583,000).

Impairment of intangible assets other than goodwill

An assessment is made of the carrying value of identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. Actual outcomes could vary from these estimates. The carrying amount of intangible assets other than goodwill as at the end of the reporting year was \$990,000 (2017: \$1,063,000).

Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established plan. Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of profits. Should a project fail to substantiate its estimated feasibility or life cycle, material development costs may be required to be written off in future periods. The carrying amount has been disclosed in Note 16.

Useful lives of plant and equipment

The estimates for the useful lives and related depreciation charges for plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the class of assets as at the end of the reporting year affected by the assumption was \$1,825,000 (2017: \$1,694,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

Allowance for trade receivables

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The credit loss allowance is based on historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 22.

Revenue recognised over time

The entity has revenue where the performance obligation is satisfied over time. Revenue is recognised over time by measuring the progress toward complete satisfaction of that performance obligation. A single method is applied consistently for measuring progress for each performance obligation satisfied over time. Judgment is required when selecting a method (output or input methods) for measuring progress toward complete satisfaction of a performance obligation. Assessing the satisfaction of performance obligations over time requires judgment and the consideration of many criteria that should be met to qualify such as whether the customer presently is obligated to pay for an asset, whether the customer has legal title, whether the entity has transferred physical possession of the asset, whether the customer has assumed the significant risks and rewards of ownership of the asset, and whether the customer has accepted the asset. Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material. The related account balances at the end of the reporting year are disclosed in Notes 5, 23A and 27A on revenues, contract assets and contract liabilities.

Measurement of impairment of subsidiaries

When a subsidiary is in net equity deficit and has suffered operating losses, the recoverable amount of the investee is estimated to assess whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require adjustments to the carrying amount of the investments in subsidiaries. The carrying amount of the company's specific assets at the end of the reporting year affected by the assumptions is \$11,000,000 (2017: \$11,000,000).

Fair value of unquoted investments

If a financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires the selection among a range of different valuation methodologies, making estimates about risk free rate and volatility rates. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. Where cost is used as an estimate of fair value, significant judgement is required where management considers various indicators where cost might not be representative of fair value. The carrying amount is disclosed in Notes 19 and 20.

Income tax amounts

The entity recognises tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. Related party relationships and transactions

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

3A. Members of a group

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

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

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

3B. Related party transactions

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

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

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

Significant related party transactions:

	Group	
	2018	2017
	\$'000	\$'000
Related companies		
Management fee received/receivable	(14)	-
Purchase of service	10	16
Rental and maintenance expense	241	229

3C. Key management compensation

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	1,498	1,948

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

	Group	
	2018	2017
	\$'000	\$'000
Remuneration of directors of the company and subsidiaries	313	412
Fees to directors of the company	84	84

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

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

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

	Related companies	
	31.12.2018	31.12.2017
	\$'000	\$'000
Group		
Other receivables:		
Balance at beginning of the year – net	68	66
Amounts received and settlement of liabilities on behalf of the group	(3)	–
Amounts paid out and settlement of liabilities on behalf of another party	126	–
Foreign exchange adjustments	1	2
Balance at end of the year – net	<u>192</u>	<u>68</u>
Presented in the statement of financial position as follows:		
Other receivables – ultimate parent company (Note 22)	99	99
Other receivables – related companies (Note 22)	126	–
Other payables – ultimate parent company (Note 26)	(17)	(15)
Other payables – related companies (Note 26)	(16)	(16)
	<u>192</u>	<u>68</u>
	Subsidiaries	
	31.12.2018	31.12.2017
	\$'000	\$'000
Company		
Other receivables:		
Balance at beginning of the year – net	7,983	6,330
Amounts received and settlement of liabilities on behalf of the company	(2,847)	(2,333)
Amounts paid out and settlement of liabilities on behalf of another party	2,403	3,986
Balance at end of the year – net	<u>7,539</u>	<u>7,983</u>
Presented in the statement of financial position as follows:		
Other receivables (Note 22)	9,551	8,829
Other payables (Note 26)	(2,012)	(846)
	<u>7,539</u>	<u>7,983</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments

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

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

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

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

- * Unifiedcomms – Segment for content-driven mobile value-added services (“VAS”), messaging and signaling systems, solutions and managed services.
- * GlobeOSS – Segment for mobile network operation support systems, solutions and managed services.
- * Captii Ventures – Segment for strategic investment in early and late-stage technology ventures.
- * Others – Segment for investment holding and operational headquarters of the group.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

2018	Unified comms \$'000	GlobeOSS \$'000	Captii Ventures \$'000	Others \$'000	Elimination \$'000	Group \$'000
Profit or loss						
Revenue by segment						
- External	11,803	19,673	-	-	-	31,476
- Inter-segment	-	541	-	5,161	(5,702)	-
	11,803	20,214	-	5,161	(5,702)	31,476
Cost of sales	(7,341)	(14,986)	-	(50)	2,894	(19,483)
Gross profit	4,462	5,228	-	5,111	(2,808)	11,993
Other items of income:						
Interest income	24	74	-	-	-	98
Other gains	120	-	1,115	710	(945)	1,000
Other items of expenses:						
Technical support expenses	(1,291)	(1,386)	-	(1,093)	127	(3,643)
Distribution costs	(705)	(550)	-	(459)	416	(1,298)
Administrative expenses	(1,992)	(568)	(536)	(1,416)	1,072	(3,440)
Other losses	(777)	(64)	-	(359)	193	(1,007)
Finance costs	(23)	(4)	-	-	-	(27)
Profit (loss) before tax	(182)	2,730	579	2,494	(1,945)	3,676
Income tax income (expense)	85	(603)	305	(79)	-	(292)
Profit (loss) net of tax	(97)	2,127	884	2,415	(1,945)	3,384
Profit (loss) net of tax, attributable to:						
Owners of the company	(97)	1,084	884	2,415	(1,945)	2,341
Non-controlling interests	-	1,043	-	-	-	1,043
Profit (loss) net of tax	(97)	2,127	884	2,415	(1,945)	3,384
Other information:						
Impairment loss on:						
- Intangible assets	(12)	-	-	-	-	(12)
- Goodwill	(500)	-	-	-	-	(500)
Decrease in fair value of investment property	-	-	-	(354)	-	(354)
Depreciation of plant and equipment	(542)	(45)	-	(7)	67	(527)
Amortisation of intangible assets	(579)	-	-	-	96	(483)
Gain on disposal of investment	-	-	77	-	-	77
Fair value gain on investments	-	-	888	-	-	888
Assets and liabilities and reconciliations:						
Segment assets	30,594	15,423	11,213	54,263	(57,057)	54,436
Unallocated assets						1,313
Total assets						55,749
Segment liabilities	11,027	7,277	8,882	5,652	(20,248)	12,590
Unallocated liabilities						53
Total liabilities						12,643
Other segment items:						
Capital expenditure						
-Plant and equipment	638	111	-	4	(59)	694
-Development costs	430	-	-	-	(29)	401
						1,095

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

2017	Unified comms \$'000	GlobeOSS \$'000	Captii Ventures \$'000	Others \$'000	Elimination \$'000	Group \$'000
Profit or loss						
Revenue by segment						
- External	11,719	13,088	-	-	-	24,807
- Inter-segment	-	519	-	7,107	(7,626)	-
	<u>11,719</u>	<u>13,607</u>	<u>-</u>	<u>7,107</u>	<u>(7,626)</u>	<u>24,807</u>
Cost of sales	(7,221)	(9,098)	-	(48)	2,901	(13,466)
Gross profit	<u>4,498</u>	<u>4,509</u>	<u>-</u>	<u>7,059</u>	<u>(4,725)</u>	<u>11,341</u>
Other items of income:						
Interest income	67	78	-	9	-	154
Other gains	115	64	6	50	(183)	52
Other items of expenses:						
Technical support expenses	(1,122)	(1,072)	-	(1,093)	218	(3,069)
Distribution costs	(732)	(416)	-	(454)	312	(1,290)
Administrative expenses	(1,888)	(544)	(465)	(1,291)	784	(3,404)
Other losses	(261)	(6)	(639)	(133)	69	(970)
Profit (loss) before tax	<u>677</u>	<u>2,613</u>	<u>(1,098)</u>	<u>4,147</u>	<u>(3,525)</u>	<u>2,814</u>
Income tax income (expense)	(189)	(302)	195	(92)	(126)	(514)
Profit (loss) net of tax	<u>488</u>	<u>2,311</u>	<u>(903)</u>	<u>4,055</u>	<u>(3,651)</u>	<u>2,300</u>
Profit (loss) net of tax, attributable to:						
Owners of the company	488	1,177	(903)	4,055	(3,651)	1,166
Non-controlling interests	-	1,134	-	-	-	1,134
Profit (loss) net of tax	<u>488</u>	<u>2,311</u>	<u>(903)</u>	<u>4,055</u>	<u>(3,651)</u>	<u>2,300</u>
Other information:						
Depreciation of plant and equipment	(516)	(33)	-	(7)	44	(512)
Amortisation of intangible assets	(569)	-	-	-	29	(540)
Fair value loss on investments	-	-	(351)	-	-	(351)
Assets and liabilities and reconciliations:						
Segment assets	27,973	16,584	9,300	51,557	(52,298)	53,116
Unallocated assets						933
Total assets						<u>54,049</u>
Segment liabilities	9,393	10,549	7,547	4,985	(18,936)	13,538
Unallocated liabilities						305
Total liabilities						<u>13,843</u>
Other segment items:						
Capital expenditure						
- Plant and equipment	1,005	62	-	3	(120)	950
- Development costs	280	-	-	-	(10)	270
						<u>1,220</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

4C. Geographical segments

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

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

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

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

2018 – Group	Revenue \$'000	Total assets \$'000	Non-current assets \$'000	Capital expenditure \$'000
South East Asia (#)	30,359	51,262	26,267	1,073
South Asia	724	523	116	22
Middle East and Africa	379	99	–	–
Others	14	2,552	–	–
	<u>31,476</u>	<u>54,436</u>	<u>26,383</u>	<u>1,095</u>
(#) South East Asia included				
Singapore	410	9,763	8,179	132
Malaysia	25,697	35,963	15,115	802
Others	4,252	5,536	2,973	139
	<u>30,359</u>	<u>51,262</u>	<u>26,267</u>	<u>1,073</u>
	Unifiedcomms	GlobeOSS	Others	Total
	\$'000	\$'000	\$'000	\$'000
External sales				
South East Asia	10,700	19,659	–	30,359
South Asia	724	–	–	724
Middle East and Africa	379	–	–	379
Others	–	14	–	14
	<u>11,803</u>	<u>19,673</u>	<u>–</u>	<u>31,476</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

4C. Geographical segments (cont'd)

2017 - Group	Revenue	Total assets	Non-current assets	Capital expenditure
	\$'000	\$'000	\$'000	\$'000
South East Asia (#)	23,546	49,675	25,145	1,170
South Asia	800	507	154	50
Middle East and Africa	445	133	-	-
Others	16	2,801	-	-
	<u>24,807</u>	<u>53,116</u>	<u>25,299</u>	<u>1,220</u>
(#) South East Asia included				
Singapore	663	10,105	8,285	9
Malaysia	20,533	36,966	15,850	1,161
Others	2,350	2,604	1,010	-
	<u>23,546</u>	<u>49,675</u>	<u>25,145</u>	<u>1,170</u>
	Unifiedcomms	GlobeOSS	Others	Total
	\$'000	\$'000	\$'000	\$'000
External sales				
South East Asia	10,474	13,072	-	23,546
South Asia	800	-	-	800
Middle East and Africa	445	-	-	445
Others	-	16	-	16
	<u>11,719</u>	<u>13,088</u>	<u>-</u>	<u>24,807</u>

4D. Contract type

Group	2018			2017		
	System sales	Managed services	Total	System sales	Managed services	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	17,091	14,385	31,476	11,541	13,266	24,807
Gross profit	4,303	7,690	11,993	4,105	7,236	11,341
Gross profit margin	<u>25.2%</u>	<u>53.5%</u>	<u>38.1%</u>	<u>35.6%</u>	<u>54.5%</u>	<u>45.7%</u>

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

- System sales – this refers to contracts that involve the outright purchase by customers of systems comprising the group's products and technologies, and where these systems are in turn delivered as turnkey solutions. The scope of work for a system sale contract includes system design, implementation, testing and commissioning services.
- Managed services – this refers to contracts that involve the provision of both systems comprising the group's products and technologies as well as the group's professional services, on a recurring, revenue sharing, software-as-a-service, pay-per-use or monthly or quarterly fixed and variable fee basis. Also treated as a managed service contract are system maintenance and technical support contracts with existing customers of the group, and an operating lease with a lessee.

Revenue of \$12,960,000 (2017: \$9,709,000) and \$4,268,000 (2017: \$3,941,000) are derived from two (2017: two) external customers. The former is attributable to the Unifiedcomms and GlobeOSS business segments while the latter is attributable to the Unifiedcomms business segment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. Revenue

Revenue from contracts with customers

	Group	
	2018	2017
	\$'000	\$'000
System sales	17,091	11,541
Managed services	14,385	13,266
Total revenue	<u>31,476</u>	<u>24,807</u>

All the contracts are less than 12 months, and recognised over time. Customers are mainly companies in the telecommunication industry.

6. Interest income

	Group	
	2018	2017
	\$'000	\$'000
Interest income from banks	<u>98</u>	<u>154</u>

7. Other gains and (other losses)

	Group	
	2018	2017
	\$'000	\$'000
Other gains:		
Reversal of payables	-	38
Fair value gain on investments (Notes 19 and 20)	888	-
Gain on disposal of investment	77	-
Others	35	14
Total other gains	<u>1,000</u>	<u>52</u>
Other losses:		
Impairment loss on goodwill (Note 16)	(500)	-
Impairment loss on intangible assets (Note 16)	(12)	-
Allowance for impairment on trade receivables (Note 22)	-	(6)
Decrease in fair value of investment property (Note 15)	(354)	-
Inventories written off	-	(3)
Write-down of inventories	(5)	(1)
Foreign exchange loss, net	(120)	(590)
Loss on disposal of plant and equipment	-	(1)
Fair value loss on investments (Notes 19 and 20)	-	(351)
Others	(16)	(18)
Total other losses	<u>(1,007)</u>	<u>(970)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. Employee benefits expense

	Group	
	2018	2017
	\$'000	\$'000
Short term employee benefits expense	5,350	4,906
Contribution to defined contribution plan	729	662
Other benefits	616	540
Total employee benefits expense	<u>6,695</u>	<u>6,108</u>
Charged to profit or loss included in:		
Cost of sales	954	883
Technical support expenses	3,225	2,741
Distribution costs	1,186	1,124
Administrative expenses	1,330	1,360
Total employee benefits expense	<u>6,695</u>	<u>6,108</u>

9. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expense	<u>27</u>	<u>-</u>

10. Items in profit or loss

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

	Group	
	2018	2017
	\$'000	\$'000
Audit fees to the independent auditors of the company	111	110
Audit fees to the other independent auditors	35	32
Other fees to the independent auditors of the company	14	14
Other fees to the other independent auditors	<u>12</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

11. Income tax

11A. Components of tax expense (income) recognised in profit or loss

	Group	
	2018	2017
	\$'000	\$'000
Current tax expense:		
Current tax expense	738	1,137
Overprovision in prior years	(29)	(13)
Withholding tax expense	222	63
Subtotal	931	1,187
Deferred tax income:		
Deferred tax income	(639)	(673)
Total income tax expense	292	514

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the company is situated. The income tax in profit or loss varied from the income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	2017
	\$'000	\$'000
Profit before tax	3,676	2,814
Income tax expense at the above rate	625	478
Effect of different tax rates in different countries	313	259
Expenses not deductible for tax purposes	307	447
Pioneer status tax exemption	(59)	(223)
Previously unrecognised deferred tax assets recognised this year	(1,087)	(497)
Overprovision in prior years	(29)	(13)
Withholding tax expense	222	63
Total income tax expense	292	514

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

11. Income tax (cont'd)

11B. Deferred tax income recognised in profit or loss

	Group	
	2018	2017
	\$'000	\$'000
Excess of book value over tax depreciation of plant and equipment	72	15
Unutilised tax losses	(554)	(8)
Provisions	34	(41)
Difference in tax and accounting profit recognition for managed services and system sales contracts	89	(424)
Fair value differences on investments at fair value through profit or loss	(305)	(195)
Others	25	(20)
Total deferred tax income recognised in profit or loss	(639)	(673)

11C. Deferred tax balance in the statements of financial position

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
From deferred tax assets (liabilities) recognised in profit or loss			
Excess of book value of plant and equipment over tax values	(93)	(21)	(6)
Unutilised tax losses	838	284	276
Provisions	195	229	188
Difference in tax and accounting profit recognition for managed services and system sales contracts	335	424	-
Fair value gains on investments at fair value through profit or loss	-	(305)	(500)
Others	(20)	5	(15)
Foreign exchange adjustments	5	12	(7)
Net balance	1,260	628	(64)
Presented in the statements of financial position as follows:			
Deferred tax assets	1,313	933	436
Deferred tax liabilities	(53)	(305)	(500)
Net balance	1,260	628	(64)

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

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

11D. Unrecognised deferred tax assets

	31.12.2018		31.12.2017		1.1.2017	
Group	Gross amount	Tax effect	Gross amount	Tax effect	Gross amount	Tax effect
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unutilised tax losses	10,941	1,915	11,884	2,137	12,246	2,255
Unutilised capital allowances	1,685	322	2,807	458	3,234	512
	12,626	2,237	14,691	2,595	15,480	2,767

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

11. Income tax (cont'd)

11D. Unrecognised deferred tax assets (cont'd)

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

12. Earnings per share

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

	Group	
	2018	2017
	\$'000	\$'000
Profit net of tax attributable to owners of the company	2,341	1,166
	Number of shares	
	2018	2017
	'000	'000
Weighted average number of equity shares	31,957	31,957

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

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

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

13. Dividends on equity shares

	Group and Company			
	Rate per share- dollars			
	2018	2017	2018	2017
	\$	\$	\$'000	\$'000
Interim exempt (1-tier) dividend paid	0.0125	0.025	399	799

Group

Dividend to the non-controlling interests

An interim exempt (1-tier) dividend of \$98,000 (2017: \$471,000) was paid by a Malaysia subsidiary to the non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

14. Plant and equipment

Group	Computers, telecommunications, research and development equipment	Office equipment, furniture, motor vehicle and renovation	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January 2017	8,059	259	8,318
Additions	818	132	950
Disposals	(16)	(3)	(19)
Written-off	(4)	(21)	(25)
Foreign exchange adjustments	(16)	11	(5)
At 31 December 2017	8,841	378	9,219
Additions	683	11	694
Written-off	(155)	(23)	(178)
Foreign exchange adjustments	(153)	(5)	(158)
At 31 December 2018	9,216	361	9,577
Accumulated depreciation and impairment loss:			
At 1 January 2017	6,911	119	7,030
Depreciation for the year	465	66	531
Disposals	(16)	(2)	(18)
Written-off	(4)	(21)	(25)
Foreign exchange adjustments	(4)	11	7
At 31 December 2017	7,352	173	7,525
Depreciation for the year	467	76	543
Written-off	(155)	(23)	(178)
Foreign exchange adjustments	(133)	(5)	(138)
At 31 December 2018	7,531	221	7,752
Carrying value:			
At 1 January 2017	1,148	140	1,288
At 31 December 2017	1,489	205	1,694
At 31 December 2018	1,685	140	1,825

Allocation of depreciation expense:

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
Cost of sales	429	424
Technical support expenses	53	53
Distributions costs	7	7
Administrative expenses	38	28
Depreciation expenses recognised in profit or loss	527	512
Capitalised under deferred development cost (Note 16)	16	19
Total	543	531

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

15. Investment property

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
At fair value:		
Balance at beginning of the year	2,660	2,588
Decrease in fair value included in profit or loss under other losses (Note 7)	(354)	-
Foreign exchange adjustment	(1)	72
Balance at end of the year	<u>2,305</u>	<u>2,660</u>
Direct operating expenses arising from investment property that did not generate rental income during the reporting year	<u>(50)</u>	<u>(48)</u>

As at 31 December 2018, the strata title of the investment property has not been issued by Department of Director General of Lands and Mines in Malaysia.

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

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

The fair value of the investment property was measured in December 2018 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by C H Williams Talhar & Wong, a firm of independent professional valuers, which hold a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the assets is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within Level 3 (2017: Level 2) of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at Lot 3A-5-1, 5th Floor, Block 3A, Plaza Sentral, 50470, Kuala Lumpur, Malaysia
Fair value:	\$2,305,000 (2017: \$2,660,000)
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs:	Price per square foot. \$286 (2017: \$330)
Sensitivity on management's estimates – 10% variation from estimate:	Impact – lower by \$231,000 (2017: \$266,000); higher by \$231,000 (2017: \$266,000).

There were no transfers between Levels 1 and 2 during the year.

The transfer from Level 2 to Level 3 for the investment property was due to a lack of observable market data, resulting from decrease in comparable transaction for the investment property. The decrease in fair value is due to changes in the market conditions and foreign exchange adjustments during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

16. Intangible assets

Group	Deferred development costs (under development) \$'000	Deferred development costs (completed) \$'000	Intellectual property \$'000	Goodwill \$'000	Total \$'000
Cost:					
At 1 January 2017	156	7,406	1,685	10,295	19,542
Additions during the year	270	-	-	-	270
Capitalisation of development equipment (Note 14)	19	-	-	-	19
Reclassification	(324)	324	-	-	-
Foreign exchange adjustments	16	775	47	288	1,126
At 31 December 2017	137	8,505	1,732	10,583	20,957
Additions during the year	401	-	-	-	401
Capitalisation of development equipment (Note 14)	16	-	-	-	16
Reclassification	(446)	446	-	-	-
Written off during the year	-	(151)	(1,732)	-	(1,883)
Foreign exchange adjustments	1	10	-	(23)	(12)
At 31 December 2018	109	8,810	-	10,560	19,479
Accumulated amortisation and impairment loss:					
At 1 January 2017	-	6,275	1,685	-	7,960
Amortisation for the year	-	540	-	-	540
Foreign exchange adjustments	-	764	47	-	811
At 31 December 2017	-	7,579	1,732	-	9,311
Amortisation for the year	-	483	-	-	483
Impairment during the year (Note 7)	-	12	-	500	512
Written off during the year	-	(151)	(1,732)	-	(1,883)
Foreign exchange adjustments	-	6	-	-	6
At 31 December 2018	-	7,929	-	500	8,429
Carrying value:					
At 1 January 2017	156	1,131	-	10,295	11,582
At 31 December 2017	137	926	-	10,583	11,646
At 31 December 2018	109	881	-	10,060	11,050

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

16. Intangible assets (cont'd)

16A. Deferred development costs

Deferred development cost mainly comprises staff costs, operating expenses and depreciation expenses for the development of the group's proprietary mobile software and has an average remaining amortisation period of 2 years (2017: 2 years).

16B. Intellectual property

Intellectual property comprises rights and titles relating to mobile software.

16C. Goodwill

Goodwill acquired through business combination has been allocated to Unified Communications Pte Ltd and its subsidiaries, Postpay Sdn Bhd and Ahead Mobile Sdn Bhd for the purpose of impairment testing. The carrying amount is disclosed above.

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

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

	31.12.2018	31.12.2017
<u>Unobservable inputs</u>		
Estimated discount rates that reflect current market assessments at the risks specific to the CGU	13.43%	12%
Growth rates based on management estimate forecasts and not exceeding the average long-term growth rate for the relevant markets	2%	2%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	<u>5 years</u>	<u>5 years</u>

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

The impairment loss on goodwill of \$500,000 (2017: Nil) during the year is due to lower value-in-use of the CGU, which have produced lower than expected profitability and returns.

Actual outcomes could vary from the estimates used above. If the estimated discount rate applied to the cash flows had been 0.25% lower with other variables held constant, the value-in-use amount would have been higher by approximately \$500,000 and there will be no impairment of goodwill. However, if the estimated discount rate applied to the cash flows had been 0.25% higher with other variables held constant, there would be a comparable impact in the opposite direction on the value-in-use amount, which has a more adverse effect on the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

17. Investments in subsidiaries

	Company	
	31.12.2018	31.12.2017
	\$'000	\$'000
Movements during the year:		
Cost at beginning of the year	32,734	32,734
Increase in cost of investment	1,158	–
Cost at the end of the year	33,892	32,734
Analysis of above amount denominated in non-functional currency:		
Malaysian Ringgit	22,892	21,734

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

Name of subsidiaries, principal activities, country of incorporation and place of operations	Cost in books of the company		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
<u>Held by the company:</u>			
Unified Communications Pte Ltd ^(a) Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry. Singapore	11,000	11,000	11,000
Unified Communications Sdn Bhd ^(b) Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry. Malaysia	21,526	21,526	21,526
Unified Communications (OHQ) Sdn Bhd ^(b) Provisions of management services. Malaysia	208	208	208
Unified Communications (OSS) Sdn Bhd ^(b) Investment holding. Malaysia	*	*	*
Postpay Sdn Bhd ^(b) Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises. Malaysia	828	*	*
Unified Assets Sdn Bhd ^(b) Investment holding. Malaysia	330	*	*
Captii Ventures Pte Ltd ^(a) Undertake investment in technology companies. Singapore	*	*	*
Postpay Asia Sdn Bhd ^(c) Investment holding. Malaysia	*	–	–
	33,892	32,734	32,734

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

17. Investments in subsidiaries (cont'd)

The subsidiaries wholly owned by the company and the group are listed below (cont'd):

Name of subsidiaries, principal activities, country of incorporation and place of operations	Effective equity held by the group		
	31.12.2018	31.12.2017	1.1.2017
	%	%	%
<u>Held by Unified Communications Sdn Bhd</u>			
Unified Communications (Tech) Pte Ltd ^(a) Distribution of information technology and telecommunications products. Singapore	100	100	100
Ahead Mobile Sdn Bhd ^(b) Software engineering, system integration, project management and maintenance and support services for the telecommunications industry. Malaysia	100	100	100
<u>Held by Unified Communications Pte Ltd</u>			
Adzentrum Sdn Bhd ^(b) Dormant. Malaysia	100	100	100
Unified Communications (Private) Limited ^(d) Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises. Pakistan	100	100	100
Postpay Technology Sdn Bhd ^(b) (Formerly known as Unified Communications (VAS) Sdn Bhd) Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises. Malaysia	100	100	100

The subsidiaries that have non-controlling interests are listed below:

Name of subsidiaries, principal activities, country of incorporation and place of operations	Effective equity held by the group		
	31.12.2018	31.12.2017	1.1.2017
	%	%	%
<u>Held by Unified Communications (OSS) Sdn Bhd</u>			
GlobeOSS Sdn Bhd ^(b) Provision of global roaming quality of services management solutions. Malaysia	51	51	51
GlobeOSS Pte Ltd ^(a) Provision of global roaming quality of services management solutions. Singapore	51	51	51
<u>Held by GlobeOSS Pte Ltd</u>			
GlobeOSS (Brunei) Sdn Bhd ^(e) Provision of global roaming quality of services management solutions. Brunei Darussalam	51	51	51

* Amount less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

17. Investments in subsidiaries (cont'd)

- (a) Audited by RSM Chio Lim LLP.
- (b) Audited by RSM Malaysia, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.
- (c) Not audited, as it is immaterial.
- (d) Audited by BDO Ebrahim & Co., Pakistan, not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.
- (e) Audited by WKA and Associates, Brunei Darussalam, not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

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

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

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
Profit allocated to NCI of the subsidiaries during the reporting year	1,043	1,134
Accumulated NCI of the subsidiaries at the end of the reporting year	4,080	3,151
The summarised financial information of the subsidiaries (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations):		
Dividends paid to NCI	98	471
Non-current assets	609	657
Current assets	15,237	16,321
Current liabilities	(7,518)	(10,548)
Revenue	20,214	13,607
Profit for the year	2,127	2,314
Total comprehensive income for the year	2,096	2,397

18. Investment in a joint venture

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
Balance at beginning and end of the year	-	-
Carrying value comprising:		
Unquoted shares at cost	583	583
Allowance for impairment	(232)	(232)
Share of post-acquisition losses, net of dividends received	(351)	(351)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

18. Investment in a joint venture (cont'd)

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

Name of joint venture, principal activities, country of incorporation and place of operations	Cost in books of the company			Effective equity held by the group		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	%	%	%
<u>Held by Unified Communications Pte Ltd</u>						
Unified Telecom Private Limited ^(a) Provision of telecommunications products, services and customized solutions. India	583	583	583	50	50	50

- (a) The statutory reporting year end of the joint venture is 31 March. The unaudited management financial statements for the period from 1 January 2018 to 31 December 2018 of the joint venture have been used for equity accounting since it is not significant to the group. Also see Note 32.

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

19. Investment in an associate

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
<u>Movement in carrying value:</u>		
Fair value at beginning of the year	1,860	1,819
Additions	612	305
Decrease in fair value through profit or loss included under other gains and (other losses) (Note 7)	(278)	(140)
Foreign exchange adjustments	61	(124)
Fair value at end of the year	2,255	1,860

Investment in an associate represents investment of preference shares in OOPA Pte Ltd, representing a 33% (2017: 33%) in OOPA on a fully convertible basis.

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

Name of associate, country of incorporation, place of operations, principal activities	Percentage of equity held upon conversion		
	31.12.2018	31.12.2017	1.1.2017
	%	%	%
OOPA Pte Ltd Provision of mobile credits top-up services with loyalty rewards. Singapore	33	33	32

It is not meaningful to present the summarised financial information as the investment in associate is accounted as fair value through profit or loss ("FVTPL") financial assets in accordance with financial reporting standard on financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

19. Investment in an associate (cont'd)

19A. Disclosures relating to investment in an associate

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

	Level	31.12.2018	Group 31.12.2017	1.1.2017
		\$'000	\$'000	\$'000
Enterprise Application Technology				
Unquoted convertible preference shares in Singapore	3	2,255	1,860	1,819
Total investment in associate		<u>2,255</u>	<u>1,860</u>	<u>1,819</u>

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

See Note 20C for the valuation methodologies used in estimating the fair value of investment in associate.

20. Other financial assets

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Balance is made up of:			
Investments at fair value through profit or loss ("FVTPL")	<u>8,948</u>	<u>7,439</u>	<u>5,370</u>
Analysis of amounts denominated in non-functional currency:			
United States Dollars	4,358	3,704	1,823
Malaysian Ringgit	<u>348</u>	<u>191</u>	<u>178</u>

20A. Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

	Group 31.12.2018	31.12.2017
	\$'000	\$'000
Movements during the year:		
Fair value at beginning of the year	7,439	5,370
Additions	940	2,445
Disposal	(687)	-
Increase (decrease) in fair value through profit or loss included under other gains and (other losses) (Note 7)	1,166	(211)
Foreign exchange adjustments	90	(165)
Fair value at end of the year	<u>8,948</u>	<u>7,439</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

20. Other financial assets (cont'd)

20B. Disclosures relating to investments

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

	Level	31.12.2018	Group 31.12.2017	1.1.2017
		\$'000	\$'000	\$'000
Enterprise Application Technology				
Unquoted convertible preference shares in Singapore	3	3,558	3,184	2,893
Unquoted convertible loan notes in Singapore	3	1,770	1,035	750
Unquoted convertible preference shares in Malaysia	3	348	191	179
Unquoted convertible preference shares in Indonesia	3	1,951	1,260	716
Marketplace Technology				
Unquoted convertible preference shares in Singapore	3	450	917	696
Unquoted convertible preference shares in Malaysia	3	189	185	136
Unquoted convertible preference shares in Indonesia	3	682	667	-
Total investments at FVTPL		8,948	7,439	5,370

20C. Fair value measurements (Level 3) recognised in the statement of financial position

The group adopted the following valuation methodologies in estimating the fair values of the investments:

- Cost approach: This is applied to estimate fair value of companies in very preliminary development stage where revenue forecast is difficult to estimate with any degree of certainty, and assumes the book value or cost of an asset approximates its fair value. Adjustments, such as impairment allowance, are made to assets on a case-by-case basis if this assumption does not hold true.
- Option Pricing Model ("OPM"): The OPM, which applies the Black-Scholes formula for option pricing, is a generally accepted valuation methodology used in estimating fair values of early stage companies, in particular those with different classes of shares. In applying the OPM to determine the fair value of an investee, management considers terms such as level of seniority among the securities, dividend policy, conversion ratios, and cash allocations of the various stockholders' agreements with the investee that would affect the distributions to each class of equity upon a liquidity event. In addition, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date.

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

Unobservable inputs	2018	2017	Sensitivity of inputs to fair value
Risk free rates (range)	1.9% – 8.16%	1.69% – 6.12%	Increase (decrease) of the inputs would result in decrease (increase) in fair values
Asset volatility (range)	51.46% – 60.34%	38.0% – 60.0%	
Expected terms (years)	3 to 5	5 to 5.38	

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

21. Inventories

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Finished goods for resale	488	45	26

Inventories are stated after allowance. Movements in allowance:

Balance at beginning of the year	344	351	
Charge to profit or loss included in other losses (Note 7)	5	1	
Used	(6)	(16)	
Foreign exchange adjustments	(1)	8	
Balance at end of the year	342	344	

There are no inventories pledged as security for liabilities.

22. Trade and other receivables

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Trade receivables			
Outside parties	14,587	15,179	16,125
Less: Allowance for impairment	(6)	(6)	(25)
Net trade receivables – subtotal	14,581	15,173	16,100

Other receivables

Outside parties	1	1	1
Less: Allowance for impairment	(1)	(1)	(1)
Ultimate parent company (Note 3)	99	99	96
Related companies (Note 3)	126	-	-
Refundable deposits	1,743	1,763	904
Net other receivables – subtotal	1,968	1,862	1,000
Total trade and other receivables	16,549	17,035	17,100

Movements in above allowance for outside parties:

Balance at beginning of the year	7	26	
Charge to profit or loss included in other losses (Note 7)	-	6	
Written off during the year	-	(25)	
Balance at end of the year	7	7	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

22. Trade and other receivables (cont'd)

	31.12.2018	Company 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Other receivables			
Subsidiaries (Note 3)	9,551	8,829	6,867
Less: Allowance for impairment	(350)	(981)	(981)
Refundable deposits	4	-	-
Total other receivables	<u>9,205</u>	<u>7,848</u>	<u>5,886</u>
Movements in above allowance for other receivables from subsidiaries:			
Balance at beginning of the year	981	981	
Reversal to profit or loss included in other gains	(631)	-	
Balance at end of the year	<u>350</u>	<u>981</u>	

Certain trade receivables relating to a project of a subsidiary has been pledged for bank facilities (see Note 28).

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The credit loss allowance is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables. At every reporting date the historical observed default rates are updated. There is no loss allowance arising from outstanding balances as the ECL is not material.

	Gross amount		Loss allowance	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	\$'000	\$'000	\$'000	\$'000
Group				
Trade receivables:				
Current	12,017	10,513	-	-
Past due:				
- Below 3 months	1,304	2,651	-	-
- 3 to 9 months	1,260	2,015	-	6
- Over 9 months	6	-	6	-
Total	<u>14,587</u>	<u>15,179</u>	<u>6</u>	<u>6</u>

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is between 30 to 90 days (2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivable customers as at the end of reporting year:

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
Top 1 customer	3,374	4,939
Top 2 customers	5,382	8,001
Top 3 customers	<u>6,594</u>	<u>8,950</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

22. Trade and other receivables (cont'd)

The other receivables of the group and company at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. No loss allowance is necessary.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

To determine whether a financial instrument has low credit risk, management uses its internal credit risk ratings (such as external rating of "investment grade" of a financial instrument) or other methodologies that are consistent with a globally understood definition of low credit risk (such as market participant perspective taking into account all of the terms and conditions of the financial instrument).

Other receivables of the group and company are normally with no fixed terms and therefore there is no maturity. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

23. Other assets

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Contract assets (Note 23A)	1,945	3,026	246
Prepayments	385	320	339
	<u>2,330</u>	<u>3,346</u>	<u>585</u>
	Company		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Prepayments	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>

23A. Contract assets

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
The amount is made up of:			
Consideration for work completed but not billed at the reporting date	1,945	3,026	246
	<u>1,945</u>	<u>3,026</u>	<u>246</u>

The movements in contract assets are as follows:

At beginning of the year	3,026	246
Recognised as revenue for performance obligation satisfied	9,111	3,939
Transfers to trade receivables	(10,187)	(1,159)
Foreign exchange adjustments	(5)	-
At the end of the year	<u>1,945</u>	<u>3,026</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

23. Other assets (cont'd)

23A. Contract assets (cont'd)

Transaction price allocated to the remaining performance obligations (over time method):

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:		
Expected to be recognised as revenue within 1 year	1,945	3,026
	<u>1,945</u>	<u>3,026</u>

The contract assets are: entity's rights to consideration for work completed but not billed at the reporting date on the contracts. The contract assets are transferred to the receivables when the rights become unconditional. The entity recognises revenue for each respective performance obligation when control of the product or service transfers to the customer.

The decrease in contract asset balances was due to the completion of performance obligations for more projects during the year more than offset by higher amount billed during the year.

24. Cash and cash equivalents

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Not restricted in use ^(a)	6,011	5,266	8,096
Cash pledged for bank facilities	<u>2,675</u>	<u>2,125</u>	<u>959</u>
	<u>8,686</u>	<u>7,391</u>	<u>9,055</u>
Interest earning balances	<u>3,060</u>	<u>3,660</u>	<u>5,466</u>

The rates of interest for the cash on interest earning balances ranged between 1.0% to 3.5% (2017: 1.0% to 3.3%, 2016: 2.0% to 3.7%) per annum.

- (a) The group has an amount of \$237,000 (2017: \$196,000) deposited with bank in Pakistan. In accordance with the requirement of Pakistan Foreign Exchange Regulations, the group requires the approval from the State Bank of Pakistan on any foreign remittance.

	Company		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Not restricted in use	<u>1,150</u>	<u>1,231</u>	<u>768</u>
	<u>1,150</u>	<u>1,231</u>	<u>768</u>

The interest earning balances are not significant.

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

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
Amount as shown above	8,686	7,391
Cash pledged for bank facilities	<u>(2,675)</u>	<u>(2,125)</u>
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	<u>6,011</u>	<u>5,266</u>

There are no reconciliation amounts for the non-cash changes in liabilities arising from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

25. Share capital

Group and Company	Number of shares issued '000	Share capital \$'000
Ordinary shares of no par value:		
Balance at beginning and end of the year ended 31 December 2017 and 2018	31,957	31,948

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

Capital management:

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

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

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

There are no significant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowing.

26. Trade and other payables

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Trade payables			
Outside parties and accrued liabilities	5,050	9,555	5,772
Other payables			
Accrued expenses	1,665	1,858	2,675
Ultimate parent company (Note 3)	17	15	14
Deposits to secure services	14	14	84
Related companies (Note 3)	16	16	16
Outside parties	285	146	257
Other payables – subtotal	1,997	2,049	3,046
Total trade and other payables	7,047	11,604	8,818

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

26. Trade and other payables (cont'd)

	31.12.2018	Company 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Other payables			
Accrued expenses	236	239	263
Subsidiaries (Note 3)	2,012	846	537
Other payables – subtotal	2,248	1,085	800
Total trade and other payables	<u>2,248</u>	<u>1,085</u>	<u>800</u>

27. Other liabilities

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Advance billings to customers	1,288	896	263
Contract liabilities (Note 27A)	2,135	679	1,738
	<u>3,423</u>	<u>1,575</u>	<u>2,001</u>

27A. Contract liabilities

	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
The amount is made up of:			
Contract liabilities	<u>2,135</u>	<u>679</u>	<u>1,738</u>

The movements in contract liabilities are as follows:

	31.12.2018	31.12.2017
	\$'000	\$'000
At beginning of the year	679	1,738
Consideration received or receivable	2,089	2,349
Performance obligation satisfied – revenue recognised	(631)	(3,451)
Foreign exchange adjustments	(2)	43
At the end of the year	<u>2,135</u>	<u>679</u>

Transaction price allocated to the remaining performance obligations:

	Group 31.12.2018	31.12.2017
	\$'000	\$'000
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:		
Expected to be recognised within 1 year	2,135	679
At the end of the year	<u>2,135</u>	<u>679</u>

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control has not occurred at year end, and therefore revenue is not recognised. The estimated transaction price does not include amounts of variable consideration that are constrained.

The increase in contract liability balances was due to an increase in advance consideration received prior to the recognition of revenue particularly for a major project by one of its subsidiary during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

28. Borrowings

	31.12.2018	Group 31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Financial instruments with floating interest rates:			
Term loan (Note 28A)	1,722	-	-
Banker acceptance (Note 28B)	296	-	-
Total current borrowings	<u>2,018</u>	<u>-</u>	<u>-</u>

The range of floating interest rates paid were as follows:

	31.12.2018	31.12.2017
Term loan	8.5%	-
Banker acceptance	<u>3.7%</u>	<u>-</u>

28A. Term loan (secured)

During the reporting year, a wholly-owned subsidiary of the company has taken a term loan of approximately \$2,973,000 (2017: Nil) granted by a financial institution to finance its managed service contract. As at 31 December 2018, the subsidiary has drawn down is approximately \$1,722,000 (2017: Nil). This facility is secured mainly by assignment of proceeds receivable from a project of the subsidiary (Note 22), and corporate guarantee of the company of \$2,973,000 (2017: Nil).

The loan is repayable within one month after the first disbursement date and any outstanding amount shall be repaid in full upon the expiry of the tenure of the term loan in September 2019 or upon the discontinuation and/or termination of the project.

28B. Banker acceptance (secured)

During the reporting year, a subsidiary of the company has banking facilities of approximately \$3,950,000 granted by a financial institution for working capital purpose. As at 31 December 2018, the subsidiary has utilised the banker acceptance of approximately \$296,000 (2017: Nil). This facility is secured by fixed deposits of the subsidiary amounting to approximately \$2,536,000 (2017: \$2,479,000), a personal guarantee of a director of the subsidiary, and corporate guarantee of the company of \$2,016,000 (2017: \$505,000). The utilised banker acceptance is repayable by 7 February 2019.

29. Operating lease payment commitments – as lessee

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

	Group 31.12.2018	31.12.2017
	\$'000	\$'000
Not later than one year	133	130
Later than one year and not later than five years	<u>113</u>	<u>46</u>
Rental expense for the year	<u>305</u>	<u>276</u>

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

30. Capital commitments

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

	Group 31.12.2018	31.12.2017
	\$'000	\$'000
Commitment to acquire convertible preference shares of investment in other financial assets	<u>341</u>	<u>583</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

31. Financial instruments: information on financial risks

31A. Categories of financial assets and liabilities

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

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Financial assets:			
Financial assets at amortised cost	25,235	24,426	26,155
Financial assets at fair value through profit or loss ("FVTPL")	11,203	9,299	7,189
At end of the year	<u>36,438</u>	<u>33,725</u>	<u>33,344</u>
Financial liabilities:			
Financial liabilities at amortised cost	<u>9,065</u>	<u>11,604</u>	<u>8,818</u>
		Company	
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Financial assets:			
Financial assets at amortised cost	<u>10,355</u>	<u>9,079</u>	<u>6,654</u>
Financial liabilities:			
Financial liabilities at amortised cost	<u>2,248</u>	<u>1,085</u>	<u>800</u>

Further quantitative disclosures are included throughout these financial statements.

31B. Financial risk management

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

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior management staff.
- (iv) All financial risk management activities are carried out following acceptable market practices.
- (v) Consideration is given to investing in financial instruments in accordance with the investment strategy of the reporting entity.

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

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

31C. Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

31D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes.

However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. Management adopts the simplified approach to measure the impairment loss for financial assets. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 24 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

31E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2017: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual undiscounted cash flows):

	Less than 1 year \$'000
Group:	
<u>31.12.2018</u>	
Gross borrowings commitments	2,128
Trade and other payables	7,047
At end of the year	<u>9,175</u>
<u>31.12.2017</u>	
Trade and other payables	<u>11,604</u>

The undiscounted amounts on the borrowings with floating interest rates are determined by reference to the conditions existing at the reporting date.

The company's non-derivative financial liabilities will be settled within 1 year.

The company has issued the following:

- (a) Financial guarantee to a financial institution for banking facilities granted to a subsidiary. The banking facilities are secured by fixed deposits of the subsidiary amounting to approximately \$2,536,000 (2017: \$2,479,000) and covered by a personal guarantee of a director of the subsidiary and corporate guarantee of the company of \$2,016,000 (2017: \$505,000). As at the end of the financial year, the outstanding facilities covered by the guarantee were \$296,000 (2017: Nil).
- (b) Financial guarantee to a financial institution for term loan granted to a subsidiary. The term loan is secured mainly by assignment of proceeds receivable from a project of the subsidiary, and corporate guarantee of the company of \$2,973,000 (2017: Nil). As at the end of the financial year, the outstanding loan covered by the guarantee were \$1,722,000 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

31E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Financial guarantee contracts - For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

	Less than 1 year	
	31.12.2018	31.12.2017
	\$'000	\$'000
Company:		
Financial guarantee contracts - in favour of subsidiaries	2,018	-

Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance the financial reporting standard on financial instruments and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of the financial reporting standard on revenue from contracts with customers.

The unutilised borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

31F. Interest rate risk

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

31G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currency.

	Singapore dollars	US dollars	Euro	Brunei dollars	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group:					
31.12.2018					
Financial assets:					
Cash and cash equivalents	44	1,312	9	-	1,365
Trade and other receivables	186	2,910	-	14	3,110
Other financial assets	-	4,358	-	-	4,358
Total financial assets	230	8,580	9	14	8,833
Financial liabilities:					
Trade and other payables	(53)	(1,131)	(203)	(123)	(1,510)
Net financial assets (liabilities)	177	7,449	(194)	(109)	7,323

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

31G. Foreign currency risk (cont'd)

	Singapore dollars	US dollars	Euro	Brunei dollars	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
31.12.2017					
Financial assets:					
Cash and cash equivalents	215	655	29	–	899
Trade and other receivables	46	3,437	5	264	3,752
Other financial assets	–	3,704	–	–	3,704
Total financial assets	261	7,796	34	264	8,355
Financial liabilities:					
Trade and other payables	(111)	(3,640)	(220)	(136)	(4,107)
Net financial assets (liabilities)	150	4,156	(186)	128	4,248
				US dollars	Total
				\$'000	\$'000

Company:

31.12.2018

Financial assets:

Cash and cash equivalents	960	960
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31.12.2017

Financial assets:

Cash and cash equivalents	67	67
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There is exposure to foreign currency risk as part of the group's and company's normal business.

Sensitivity analysis:

	Group	
	31.12.2018	31.12.2017
	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against US dollars with all other variables held constant would have an adverse effect on profit before tax of	(745)	(416)

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

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

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

31H. Equity price risk

There are instruments in equity shares, related derivatives or similar instruments. As a result, such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. The fair values of these assets and sensitivity analysis are disclosed in Notes 19 and 20.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

32. Contingent liabilities

	Company	
	31.12.2018	31.12.2017
	\$'000	\$'000
Undertaking to support subsidiaries with deficits ^(a)	655	1,761
Litigation ^(b)	2,100	2,100

(a) Undertaking to support subsidiaries with deficits

The company has undertaken to provide continued financial support to certain of its subsidiaries which have total accumulated losses in excess of the issued and paid-up capital as at 31 December 2018 amounting in aggregate to \$655,000 (2017: \$1,761,000) to enable them to continue to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the end of the reporting year.

(b) Litigation

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

The Telco had via a letter issued in July 2013 alleged that UTPL is liable for a sum of INR 10.7 crore (approximately \$2.2 million) for damages and expenditure incurred in connection with the contract during its currency.

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

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

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

A number of procedural hearings have been held by the Arbitrator to cross examine the affidavits of the admissions and denial documents relating to the aforesaid claim and counterclaims throughout the years. The next hearing has tentatively been set on 18 April 2019.

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

33. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Apart from providing more disclosures in relation to SFRS(I) 9 and SFRS(I) 15, the adoption of the applicable new or revised standards did not require any significant modification of the measurement methods in the financial statements.

SFRS(I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS 115 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-28	Amendments: Long-Term Interests In Associates And Joint Ventures	1 Jan 2019
SFRS(I) 9	Amendments: Prepayment Features with Negative Compensation	1 Jan 2019
SFRS(I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019

35. Transition from FRSs to SFRS(I)s

The reporting entity first adopted SFRS(I)s from 1 January 2018, with a date of transition to SFRS(I)s of 1 January 2017. Its last financial statements in accordance with previous GAAP (Singapore Financial Reporting Standards ("FRSs")) were for the reporting year ended 31 December 2017.

As is required by the financial reporting standard on the presentation of financial statements the statement of financial position at the end of the current reporting year and the beginning and end of the preceding reporting year is presented.

Certain reclassifications were made in the balances in the financial statements for last year to better reflect the nature of the balances in accordance with SFRS (I) 15, and they are as follows:

	Reclassifications		Effect of transition to SFRS(I)s
	SFRS(I)s	FRSs	
	\$'000	\$'000	\$'000
<u>31.12.2017</u>			
Statement of financial position:			
Trade and other receivables	17,035	20,061	(3,026)
Other assets	<u>3,346</u>	<u>320</u>	<u>3,026</u>
<u>1.1.2017</u>			
Statement of financial position:			
Trade and other receivables	17,100	17,346	(246)
Other assets	<u>585</u>	<u>339</u>	<u>246</u>

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2019

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.35	61	0.00
100 - 1,000	643	45.22	440,349	1.38
1,001 - 10,000	641	45.08	2,498,350	7.82
10,001 - 1,000,000	130	9.14	8,053,179	25.20
1,000,001 AND ABOVE	3	0.21	20,965,325	65.60
TOTAL	1,422	100.00	31,957,264	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Worldwide Matrix Sdn Bhd	12,692,293	39.72
2	RHB Securities Singapore Pte Ltd	6,329,600	19.81
3	Citibank Nominees Singapore Pte Ltd	1,943,432	6.08
4	Raffles Nominees (Pte) Limited	959,520	3.00
5	DBS Nominees (Private) Limited	644,400	2.02
6	Chang Shaw Chuin	549,150	1.72
7	UOB Kay Hian Private Limited	475,440	1.49
8	DBSN Services Pte Ltd	226,900	0.71
9	Ang Hao Yao (Hong Haoyao)	210,900	0.66
10	Chin Khan Hee @Chin Kian Hee	200,000	0.63
11	Goh Peng Hock	200,000	0.63
12	Hong Leong Finance Nominees Pte Ltd	190,000	0.59
13	United Overseas Bank Nominees (Private) Limited	179,200	0.56
14	Chang Shaw Hwa	160,550	0.50
15	Ong Wooi Siang	159,500	0.50
16	Phillip Securities Pte Ltd	146,479	0.46
17	OCBC Nominees Singapore Private Limited	128,900	0.40
18	Khoo Soo Beng	115,000	0.36
19	Eng Koon Hock	108,000	0.34
20	Stelpa Sendirian Berhad	100,000	0.31
	TOTAL	25,719,264	80.49

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

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

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

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

^(c) 1,903,432 shares of Wong Tze Leng are held under Citibank Nominees Singapore Pte Ltd.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on information available to the Company as at 21 March 2019, approximately 33.74% of the issued ordinary shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited has been complied with by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Copthorne King's Hotel, 403, Havelock Road, Singapore 169632, Prince Room, Level 13 on Friday 26 April 2019 at 3.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

- | | |
|---|--|
| 1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Independent Auditors' Report thereon. | Resolution 1 |
| 2. To approve the directors' fees of S\$83,900/- for the financial year ended 31 December 2018 [2017: S\$83,900/-]. | Resolution 2 |
| 3. To re-elect the following directors retiring pursuant to Article 103 of the Company's Constitution:-

(a) Anton Syazi Ahmad Sebi
(b) Phuah Peng Hock

<i>(See Explanatory Note 1)</i> | Resolution 3
Resolution 4 |
| 4. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration. | Resolution 5 |

AS SPECIAL BUSINESS

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

Ordinary Resolutions

5. Authority to allot and issue shares

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

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

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

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; | Resolution 6 |
| (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while the authority was in force, provided always that:-

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

- b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and
 - c) any subsequent consolidation or subdivision of the Company's shares;
 - (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note 2)
6. To transact any other business which may properly be transacted at an Annual General Meeting.

Dated this 10th day of April 2019

By Order of the Board

Ang Siew Koon
Toon Choi Fan
Company Secretaries

Explanatory Notes:-

1. The ordinary resolutions in item 3 is to re-elect the retiring directors pursuant to Article 103 of the Company's Constitution:-
 - (a) Anton Syazi Ahmad Sebi will, upon re-election as Director, remain as an Executive Director of the Company.
 - (b) Phuah Peng Hock will, upon re-election as Director remain as Lead Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees. Mr Phuah is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Key information of Anton Syazi Ahmad Sebi and Phuah Peng Hock are found on page 15 of the Company's 2018 Annual Report.

2. The ordinary resolution 6 in item 5 if passed will empower the directors of the Company from the date of this Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the directors may allot and issue under this resolution would not exceed 50 percent of the issued share capital of the Company at the time of passing this resolution. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders the aggregate number of shares to be issued shall not exceed 20 percent of the issued share capital of the Company, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies in his/her stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not less than 48 hours before the time appointed for the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy

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

CAPTII LIMITED

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

Important:

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

PROXY FORM

I/We _____ (Name) _____ NRIC No./Passport No./

Company Registration No. _____ of _____

_____ (Address)

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

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

* and/or

--	--	--	--

as **my/our proxy/proxies* to vote for **me/us* on **my/our* behalf at the Annual General Meeting of the Company to be held at Copthorne King's Hotel, 403, Havelock Road, Singapore 169632, Prince Room, Level 13 on Friday, 26 April 2019 at 3.00 p.m. and at any adjournment thereof.

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

No.	Ordinary Resolutions	Resolution No.	For	Against
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Independent Auditors' Report thereon.	Resolution 1		
2.	To approve the directors' fees of S\$83,900/- for the financial year ended 31 December 2018 [2017: S\$83,900/-].	Resolution 2		
3	To re-elect the following directors retiring pursuant to Article 103 of the Company's Constitution:- (a) Anton Syazi Ahmad Sebi (b) Phuah Peng Hock	Resolution 3 Resolution 4		
4.	To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the directors to fix their remuneration.	Resolution 5		
5.	To authorise directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50.	Resolution 6		

Dated this _____ day of _____ 2019

Total Number of Shares Held

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

* Please delete accordingly.



PROXY FORM

CAPTII LIMITED

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

Notes:-

1. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number of shares. If the member has shares entered in his/her name in the Register of Members of the Company, he/she should insert the number of shares. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.
3. Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notorially certified copy thereof, must be deposited at the registered office of the Company at 140 Paya Lebar Road #10-14 AZ @ Paya Lebar Singapore 409015 not less than 48 hours before the time set for the Annual General Meeting. If a member submits a proxy form and subsequently attends the meeting in person, and votes, the appointment of the proxy should be revoked.
7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

