

ACCELERATING INTO THE FUTURE

ANNUAL REPORT 2019

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OUR MISSION

- **BUILD A GLOBAL WORKFORCE TO SUPPORT OUR CHOSEN MARKETS.**
- **PROVIDE CUSTOMER VALUE THROUGH EXCELLENT AFTER-SALES SERVICES.**
- **STRENGTHEN EXISTING AND DEVELOP NEW MARKETS.**
- **TO CONSISTENTLY EXCEED SHAREHOLDER'S EXPECTATIONS.**

OUR CORE VALUES

AT VIBROPOWER, THERE ARE 3-POWERS AT WORK:

- **PASSION**
OUR PASSION FUELS OUR PEOPLE;
- **PRIDE**
WE NEVER SAY NO; AND
- **POSSIBILITIES**
WE TRANSFORM CHALLENGES TO POSSIBILITIES.

BUSINESS LOCATIONS

SINGAPORE

VibroPower Corporation Limited

VibroPower Pte Ltd

**VibroPower Sales and Services (S)
Pte. Ltd.**

GMTM Holdings Pte Ltd

Indamex (F.E) Pte.Ltd.

Scott & English Pte. Ltd.

11 Tuas Avenue 16
Singapore 638929
Tel : (65) 6268 2322
Fax : (65) 6262 2922

www.vibropower.com

MALAYSIA

VibroPower Generators Sdn. Bhd.

No. 27 - A, First Floor
Jalan Sungai Besi Indah 1/19
Taman Sungei Besi Indah
Seri Kembangan, 43300
Selangor, Malaysia
Tel : (603) 8942 9328
Fax : (603) 8942 9329

CHINA

**Shanxi Weineng Coal Mine Gas
Development Co., Ltd.**

No.189 East Street,
Shanxi Province, Yangquan City,
Pingding Country, China
Tel : (86) 0353-5681550

INDIA

**VibroPower Generators (India)
Pvt. Ltd.**

304, Atlanta Estate,
Dr Ambedkar Chowk,
Goregaon East,
Mumbai 400063, India
Tel : (91) 22 29277402

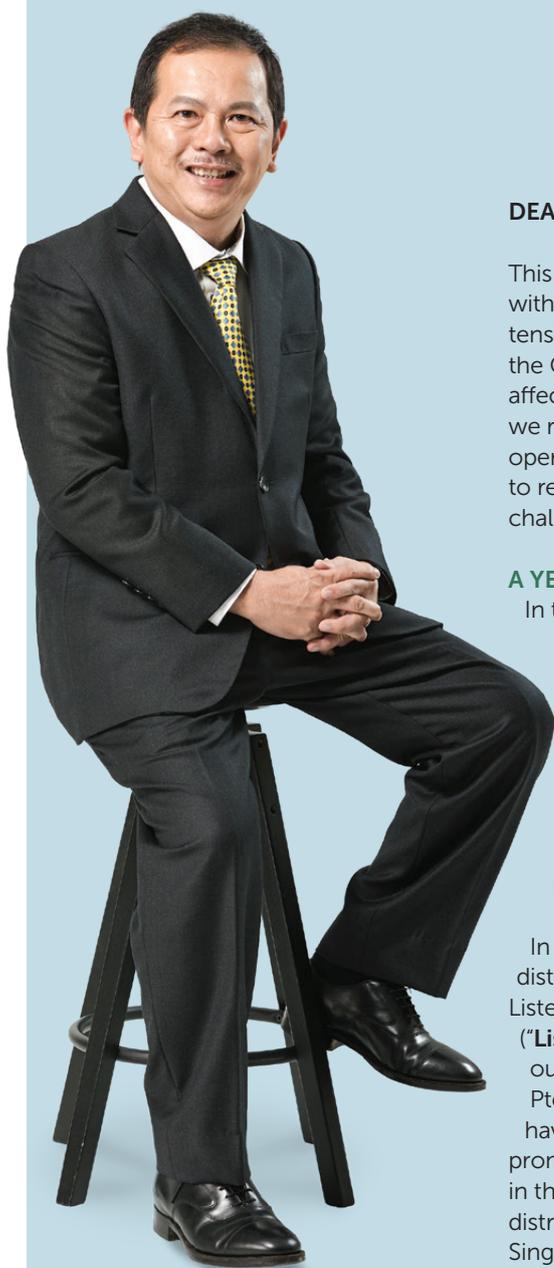
RUSSIA

VibroPower Representative Office

Office B2107, Technopark Pulkovo
40/4 Pulkovskoye Shosse,
Letter A; Saint Petersburg,
196158, Russia
Tel : 007 812 456 5910
www.vprussia.com

CHAIRMAN'S MESSAGE

WE REMAIN RESILIENT, MONITORING OUR OPERATIONS AND TAKING MEASURES TO REMAIN COMPETITIVE DURING THIS CHALLENGING PERIOD.



DEAR SHAREHOLDERS,

This year, we have had to contend with tough global conditions, trade tensions, geopolitical unrest, and the COVID-19 outbreak adversely affecting all markets. Nevertheless, we remain resilient, monitoring our operations and taking measures to remain competitive during this challenging period.

A YEAR IN REVIEW

In the financial year ended 31 December 2019 (“FY2019”), the overall market was slow, with weaker demand from various industries. Despite tough economic conditions, the Group stood steady in its power generation operations and continued to engage the market.

In February 2019, we secured distribution rights for a range of Lister Petter Power Systems Limited (“Lister Petter”) products through our subsidiary Scott & English Pte Ltd. Since inking this deal, we have had some initial success in promoting Lister Petter products in the markets we have exclusive distribution rights for, namely, Singapore, Malaysia, Indonesia, Myanmar, and Hong Kong.

During the year, we also started additional upgrading works for our coal mine methane gas power plant in Shanxi, China (the “Shanxi power plant”), which we own through our wholly-owned subsidiary, Shanxi Weineng Coal Mine Gas Development Co. Ltd.. The plant was operational for the first 3 months of FY2019 and generated revenue of S\$0.5 million. Since April 2019, the Shanxi power plant has been undergoing upgrading works to increase its electricity generation capacity from 5 megawatts (MW) to 8MW. While upgrading was expected to be completed in the first quarter of FY2020, work has been delayed due to labour shortage caused by travel restrictions in China. However, we are hopeful that once the effects of COVID-19 have abated, upgrading works can proceed and be completed soon.

We also completed a Rights-cum-Warrants issue in January 2020 through which we raised net proceeds of S\$1.5 million. We carried out the Rights-cum-Warrants issue with the intention of raising funds to further the expansion of the Group, with a planned allocation of the net proceeds going towards the growth of our existing business and for working capital requirements. This exercise has strengthened the Group’s financial position by enlarging our working capital base and improved our financial flexibility.

FINANCIAL HIGHLIGHTS

In FY2019, the Group’s revenue decreased by 28.8% to S\$11.0 million due to lower contributions from both the Projects and Power Plant segments. Revenue for Projects segment, which is the Group’s largest revenue contributor, dropped by 27.5% to S\$10.3 million with fewer projects completed

during the year, as well as delays due to rescheduling of certain projects.

The Power Plant segment was only operational for the first 3 months of FY2019 and contributed a revenue of S\$0.5 million during the year. Since April 2019, the plant has been undergoing upgrading works, which is expected to be completed only in FY2020.

The Group incurred a net loss after tax of S\$2.9 million mainly due to reduced profit margins as a result of intense competition and impairment loss on trade and other receivables of S\$1.6 million.

In the latest full-year results, the Group had net asset value of S\$13.8 million, which translated into a net asset value per share of 38.31 Singapore cents, compared with 47.04 Singapore cents a year ago.

LOOKING AHEAD

The Group expects the business outlook in FY2020 to remain challenging. The global economy will likely continue to face adverse conditions, especially with the exacerbation of the COVID-19 outbreak.

With regards to our core business of supplying power generation sets and providing customised power generation solutions, we expect the overall operating environment to remain challenging, with intense competition. We will continue to focus on executing our projects on hand, undertaking a competitive pricing strategy in order to remain at the forefront of our industry. Additionally, we will continue to seek out new project opportunities, leveraging on our strong reputation and established track record to

engage the market and potentially secure new orders to strengthen our order books.

Additionally, we will leverage on our exclusive distribution agreement with Lister Petter to tap into a new customer base and offer our customised power solutions. This exclusive distributorship increase the Group's marketing reach significantly, and enhance the Group's business potential both locally and overseas.

We are optimistic that upgrading works at our Shanxi power plant will be completed in FY2020, following which the plant will be fully operational with increased production capacity. The plant will be able to supply and sell more electricity to the Shanxi State Grid, pursuant to the 2015 Power Purchase Agreement whereby Shanxi State Grid agreed to purchase all electricity generated by the Shanxi power plant. We are optimistic that this will provide the Group with a stable and recurring source of revenue for FY2020.

Moving forward, we will prudently seek out potential opportunities for long term sustainable growth. Armed with the proceeds from the Rights-cum-Warrants issue, we are now in a stronger position to fund the expansion of our business through a variety of strategic investments in similar businesses in Southeast Asia, particularly in the clean energy sector, with the aim of positioning the Group for long-term sustainable growth.

Internally, we will look into our processes such as remodelling our products to optimise cost efficiency during the production process without compromising quality, as well as relocating some of our manufacturing activities to Malaysia, to improve efficiency.

In light of the COVID-19 outbreak, we have had to contend with shortage in manpower, especially at our Shanxi power plant, as well as disruptions to our supply chain. We expect to continue facing these types of issues and others that may crop up. We will monitor the repercussions of the outbreak as they evolve, managing our operations prudently in order to remain resilient.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors ("**Board**"), I would like to extend my deepest appreciation to our shareholders, business associates, and partners, for their continued support, and to our management and staff for their commitment and hard work. I would also like to personally thank my fellow members of the Board for their unwavering guidance amidst challenging times. Let us continue working towards achieving sustainable growth in the coming year.

BENEDICT CHEN ONN MENG
Chief Executive Officer

FINANCIAL AND OPERATIONS REVIEW

PERFORMANCE REVIEW

Revenue

	FY2019		FY2018		Variance
	S\$'000	%	S\$'000	%	%
Projects	10,270	93.1	14,165	91.5	(27.5)
Power Plant	527	4.8	1,081	7.0	(51.2)
Others	230	2.1	234	1.5	(1.7)
Total Revenue	11,027	100.0	15,480	100.0	(28.8)

In FY2019, the Group's revenue decreased by 28.8% to S\$11.0 million due to lower contributions from both the Projects and Power Plant segments.

Revenue for Projects segment dropped by 27.5% to S\$10.3 million with fewer projects completed during the year, as well as delays as a result of rescheduling of certain projects.

The Power Plant segment was only operational for the first 3 months of FY2019 and contributed a revenue of S\$0.5 million during the year. Since April 2019, the plant has been undergoing upgrading works, which is expected to be completed only in FY2020.

Geographically, Singapore continued to be the Group's major market, accounting for 82.4% of the total revenue in FY2019, while Asia, which comprised mainly of Hong Kong and Malaysia, contributed 17.2% to the Group's total revenue.

PROFITABILITY

Gross profit dropped by 54.9% to S\$1.5 million in FY2019, in line with lower revenue during the year. Consequently, gross profit margin declined from 21.7% to 13.7% due to intense competition.

With the Group's continued efforts to manage its costs carefully, which led to a reduction in payroll costs and operating expenses, administrative expenses fell by 6.2% to S\$2.0 million.

Finance costs decreased by 9.1% to S\$0.5 million due to lower borrowings for the year.

The Group provided S\$1.6 million impairment loss on trade and other receivables during the year, which resulted in an increase of 940.5% in impairment losses on financial assets.

Other income and other expenses are related to construction work carried out for power plant projects in Malaysia.

Income tax expense of S\$0.1 million included under provision for prior year income tax of the foreign subsidiaries.

As a result, the Group recorded a net loss after tax of S\$2.9 million for FY2019.

FINANCIAL POSITION

As at 31 December 2019, the Group's net assets value was S\$13.8 million, which translated into a net asset value per share of 38.31 Singapore cents, compared with 47.04 Singapore cents a year ago.

Non-current assets grew by 11.9% to S\$11.0 million mainly due to the recognition of right-of-use assets of S\$1.2 million following the adoption of the new lease accounting standard, SFRS(I) 16.

Current assets dropped by 29.8% to S\$17.1 million, largely attributable to a decrease in (i) trade and other receivables of S\$5.9 million as a result of improved collection from customers, and lower sales in the second half of 2019; (ii) contract assets of S\$0.3 million due to progress billing to customers during the year; and (iii) other assets of S\$1.3 million due to lower advanced billing from a supplier and progress billing of construction work in progress. This was partially offset by an increase in inventories of S\$0.6 million in anticipation of scheduled delivery of generator sets to our customers in the first quarter of 2020.

Non-current liabilities increased by 7.3% to S\$2.6 million due mainly to recognition of lease liabilities of S\$0.5 million following the adoption of the new lease accounting standard, SFRS(I) 16, which was partially offset by a reduction in loans and borrowings of S\$0.3 million due to repayment of borrowings to bank and financial institution during the year.

PERFORMANCE REVIEW

Revenue

	FY2019		FY2018		Variance
	S\$'000	%	S\$'000	%	%
Singapore	9,087	82.4	11,705	75.6	(22.4)
Asia (excluding Singapore)	1,896	17.2	3,647	23.6	(48.0)
Rest of the World	44	0.4	128	0.8	(65.6)
Total Revenue	11,027	100.0	15,480	100.0	(28.8)

FINANCIAL HIGHLIGHTS (\$\$MIL)

	2014	2015	2016	2017	2018	2019
Turnover	28.2	17.7	25.0	14.3	15.5	11.0
Profit/(Loss) before Tax	1.7	(8.3)	0.6	0.5	0.8	(2.8)
Shareholders' Equity, Attributable to Equity Holders of the Company	23.0	15.4	16.4	16.4	16.9	13.8
Total assets	40.7	35.7	34.2	33.4	34.1	28.0

Current liabilities decreased by 23.7% to S\$10.0 million mainly due to (i) lower trade and other payables, in line with the decline in sales during the year; and (ii) lower loans and borrowings due to repayment of borrowings to bank and financial institution during the year.

CASH FLOW

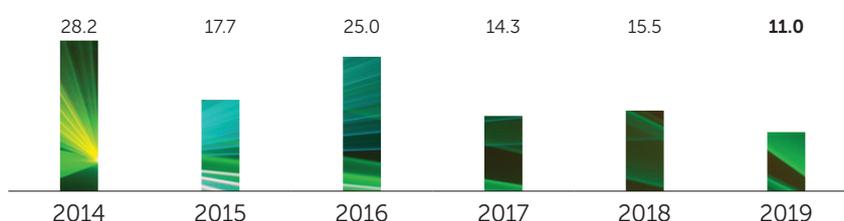
For FY2019, net cash flows from operating activities amounted to S\$1.7 million, mainly due to collections from customers, which were partially offset by payments to suppliers, and inventory purchased for on-going projects.

The Group used S\$0.6 million cash for investing activities to purchase new machinery for the upgrading of the coal mine methane power plant in Shanxi, China.

Net cash used in financing activities of S\$1.3 million was largely due to repayment of borrowings to bank and financial institution during the year.

Consequently, the Group's cash and cash equivalents decreased from S\$1.6 million to S\$1.3 million in FY2019.

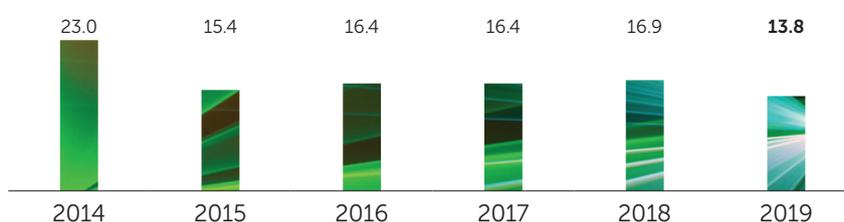
TURNOVER (\$\$MIL)



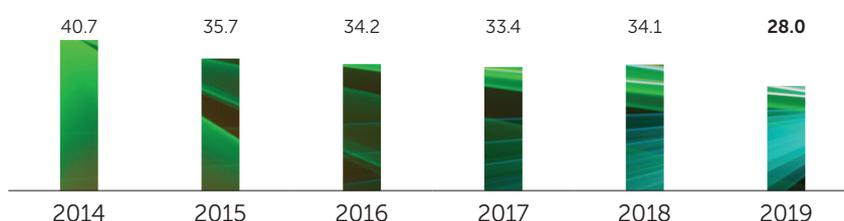
PROFIT/(LOSS) BEFORE TAX (\$\$MIL)



SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (\$\$MIL)



TOTAL ASSETS (\$\$MIL)





TOH SHIH HUA

BENEDICT CHEN ONN MENG

ERNEST YOGARAJAH S/O
BALASUBRAMANIAM

BOARD OF DIRECTORS

BENEDICT CHEN ONN MENG

Chief Executive Officer

Mr Chen is one of the founders and has been with the Group since 1995. He is the Chief Executive Officer of the Group. He is jointly responsible for the overall direction of the Group. He is also a member of the Company's Remuneration Committee.

Mr Chen has a diploma in Mechanical Engineering from Singapore Polytechnic.

ERNEST YOGARAJAH S/O BALASUBRAMANIAM

Independent and Non-Executive Director

Mr Balasubramaniam was appointed as an Independent Director on 10 May 2007. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee.

Mr Balasubramaniam is a practising lawyer and Director of UniLegal LLC. He has a Bachelor of Laws degree and a Master of Laws degree from the National University of Singapore.

TOH SHIH HUA

Independent and Non-Executive Director

Ms Toh was appointed as an Independent Director on 28 April 2015. She is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Ms Toh is the founder and director of Genesis Capital Pte Ltd, a corporate finance advisory firm since 2004. Ms Toh has a Bachelor of Accountancy degree from Nanyang Technological University and is a member of Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Benedict Chen Onn Meng
Chief Executive Officer

Ernest Yogarajah s/o Balasubramaniam
Independent and Non-executive Director

Toh Shih Hua
Independent and Non-executive Director

AUDIT COMMITTEE

Toh Shih Hua
Chairman

Ernest Yogarajah s/o Balasubramaniam
Benedict Chen Onn Meng

NOMINATING COMMITTEE

Toh Shih Hua
Chairman

Ernest Yogarajah s/o Balasubramaniam
Benedict Chen Onn Meng

REMUNERATION COMMITTEE

Ernest Yogarajah s/o Balasubramaniam
Chairman

Benedict Chen Onn Meng
Toh Shih Hua

REGISTERED OFFICE AND BUSINESS ADDRESS

11 Tuas Avenue 16
Singapore 638929
Tel : (65) 6268 2322
Fax : (65) 6262 2922
Website : www.vibropower.com

COMPANY SECRETARY

Sia Huai Peng

REGISTRAR AND SHARE TRANSFER OFFICE

**BOARDROOM CORPORATE & ADVISORY
SERVICES PTE LTD**
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

ERNST & YOUNG LLP
**PUBLIC ACCOUNTANTS AND CHARTERED
ACCOUNTANTS**
One Raffles Quay,
North Tower
Level 18
Singapore 048583

Partner in charge: Philip Ling Soon Hwa
(Since financial year ended 31 December 2019)

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CORPORATE GOVERNANCE REPORT

VibroPower Corporation Limited (the "Company") is committed to maintaining good corporate governance within the Company and its subsidiaries (collectively, the "Group"). The Board recognises the importance of good corporate governance and is committed to making sure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long-term shareholder value.

This report describes the Company's corporate governance practices for the financial year ended 31 December 2019 ("FY2019"), with specific reference made to the principles of the revised Code of Corporate Governance 2018 (the "Code") issued in August 2018 which is effective from financial year commencing from 1 January 2019. The Board confirms that for FY2019, the Company has adhered to the principles and provisions as set out in the Code, where applicable, and has disclosed and explained any variations from the Code in this report.

A. BOARD MATTERS

The Board's Conduct of its Affairs

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

The Board is entrusted with the responsibility of the overall management of the Company. Its primary function is to provide effective leadership and direction for the overall business and corporate affairs of the Group to enhance the long-term value for the Company's shareholders and the Group's stakeholders.

Besides carrying out its statutory responsibilities, the Board's role is to:

- a) Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- b) Establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;
- c) Review and approve management performance, approve annual budgets, funding requirements, expansion programs, capital investment and major acquisitions and divestments proposals;
- d) Identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;
- e) Set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- f) Supervising and monitoring of the Group's management over various matters, including strategic and sustainability issues and business planning processes; and
- g) Assume responsibility for corporate governance.

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. All Directors are expected to exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interests of the Group. Each Director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as it is practicable after the relevant facts have come to his/her knowledge. In the event that any Director faces a conflict of interest, he/she will recuse himself from any discussion and decision involving the issue of conflict.

CORPORATE GOVERNANCE REPORT

Board members are apprised of the business and operations of the Company on a regular basis either through formal or informal meetings and discussions. They are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to update its directors with changes to relevant laws, regulations and accounting standards.

The Board has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and funding proposals, diversification of business, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions with interested persons, and those relating to investment, funding, legal, compliance and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group.

To assist in the execution of its responsibilities, the Board has established board committees (the "Board Committees"), which operate under clearly defined terms of reference. The composition of each Board Committee, the key terms of reference and a summary of each Board Committee's activities can be found in this report.

The Board acknowledges that the Board Committees play an important role in ensuring good corporate governance of the Group and actively engages the Board Committees on matters pertaining to the Group. The Board also acknowledges that while these Board Committees have the authority to examine specific issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

The Board meets at least two (2) times a year to review and approve, *inter alia*, the half-year and full year results of the Group. Board papers for Board meetings were sent to the Board in advance in order for the directors to be adequately prepared for meetings, including all relevant documents, materials, background or explanatory information relating to the matters to be brought before the Board. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Additional meetings are convened as and when required. Apart from approvals obtained at Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing together with all relevant information pertaining to the matter. As provided in the Constitution of the Company, the Board may convene telephonic and videoconferencing meetings as necessary.

The attendances of the Directors at meetings of the Board, the Board Committees and the Annual General Meeting, as well as the frequency of such meetings held during FY2019 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Annual General Meeting
No. of meetings held	2	2	1	1	1
No. of meetings attended by the Directors					
Benedict Chen Onn Meng	2	2	1	1	1
Ernest Yogarajah s/o Balasubramaniam	2	2	1	1	1
Toh Shih Hua	2	2	1	1	1

CORPORATE GOVERNANCE REPORT

If a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/She will review them and advise the Chairman of the Board or the Board Committee of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

All Directors are required to declare their board representations. As a director's ability to commit time to the Group's affairs is essential for his/her contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is 5. The Nominating Committee has reviewed and is satisfied that all directors have complied with the maximum limit.

The Company Secretary and the Company's auditors will advise the existing Directors or if necessary, conduct briefings to the Directors on the new accounting standards and corporate governance practices as well as update them on any changes in the Companies Act and the Listing Manual. Directors also have opportunities to visit the Group's operation facilities in order to have a better understanding of its business operations.

From time to time, the Directors participate in seminars or discussions to keep themselves updated on the latest changes and developments concerning the Group and keep abreast of the latest regulatory changes.

The briefings and updates provided to Directors in FY2019 include:

- The Company Auditors briefed the AC members on changes or amendments to the accounting standards.
- The Chief Executive Officer updated the Board on the business and strategic developments of the Group.
- The Company Secretary updated the Board on the revised Code of Corporate Governance 2018.

The Directors may communicate directly with the Management team on all matters whenever they deem necessary. All Directors have unrestricted access to the Group's records and information. The Directors also have separate and independent access to the Company Secretary, the Company's external auditors, internal auditors and other professional advisors, where relevant. The Company Secretary attends Board and committee meetings and is responsible for ensuring that Board procedures are followed and minutes of all meetings are recorded and circulated to the Board and the committees. The Company Secretary also assists the Chairman and CEO, the Chairman of each committee and Management in the development of the agendas for the various Board and committee meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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

As at the date of this Annual Report, the Board comprises one (1) Executive Director and two (2) Independent and Non-Executive Directors. Accordingly, the Company is in compliance with the requirement of the Code where non-executive directors make up a majority of the Board. The membership of the Directors on the Board Committees are as follows:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Benedict Chen Onn Meng	Executive Chairman and Chief Executive Officer	Member	Member	Member
Ernest Yogarajah s/o Balasubramaniam	Lead Independent Director	Member	Member	Chairman
Toh Shih Hua	Independent and Non-Executive Director	Chairman	Chairman	Member

Mr Ernest Yogarajah s/o Balasubramaniam and Ms Toh Shih Hua are considered to be independent as they have no relationship with the Company, its related corporations, substantial shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interests of the Company.

Even though the Chairman is not independent, there is presently a strong and independent element on the Board as two out of three board members are considered independent. Accordingly, the Company is in compliance with the requirement of the Code where independent directors should make up a majority of the Board where the Chairman is not independent.

The Board recognizes that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, knowledge, business experience, industry discipline, gender and age.

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the Nominating Committee will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board.

In this regard, the Nominating Committee will try to ensure that: (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates; (b) when seeking to identify a new Director for appointment to the Board, the Nominating Committee will request for female candidates to be fielded for consideration; and (c) female representation on the Board be continually improved over time based on the set objectives of the Board. The final decision on selection of Directors will be based on merit against an objective criterion that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

CORPORATE GOVERNANCE REPORT

The Board currently comprises business leaders and professionals with financial (including accounting and tax), risk management, legal and business management qualifications and backgrounds. The Board has one female member, and Directors with ages ranging from 40 to 60 years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR. Having considered the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board provide for diversity and allow for informed and constructive discussion and effective decision making at meetings of the Board and Committees. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. Independent and Non-Executive Directors, will then evaluate these proposals or reports and where appropriate, provide guidance to Management. The Independent Directors meet on a need-to basis amongst themselves and with the Company's external auditors and internal auditors without the presence of Management to discuss matters such as the Group's financial performance, corporate governance and risk management initiatives, board processes and any audit observations. The outcome or suggestion arising from such meetings will be provided to the Board and/or Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chief Executive Officer ("CEO") and the Chairman of the Board of Directors for the Company is Mr Benedict Chen Onn Meng. The Board, after careful consideration, is of the opinion that the need to separate the roles of the CEO and Chairman is not necessary for the time being. Based on the Group's current corporate structure, size, nature and scope of operations, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman and CEO is the same person, so as to ensure that the decision-making of the Group would not be unnecessarily hindered. The Board believes that there are sufficient strong independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual. All major proposals and decisions made by the Chairman and CEO are discussed and reviewed by the Board which comprises a majority of independent directors. His performance and appointment to the Board is reviewed by the Nominating Committee and his remuneration package is reviewed by the Remuneration Committee. The Nominating Committee and Remuneration Committee comprise a majority of independent directors.

As the Chairman, Mr Benedict Chen Onn Meng is responsible for the proper functioning of the Board and ensures that Board meetings are held as and when necessary. He also assumes responsibility for the smooth functioning of the Board, ensures the timely flow of information between Management and the Board, sets the agenda for Board meetings, ensures sufficient allocation of time for thorough discussion of each agenda item and promotes a culture of openness and debate at the Board. The Chairman also takes a leading role in ensuring the Group's compliance with corporate governance guidelines.

As the CEO, Mr Benedict Chen Onn Meng is responsible for leading the development and execution of the Group's short and long-term strategies and business plans and ensures that the Group is properly organised and staffed, assesses the principal risks of the Group and ensures that effective internal controls and risk management systems are in place.

Mr Ernest Yogarajah s/o Balasubramaniam has been appointed as the Lead Independent Director of the Company. He is the principal liaison in the event that any issues arise between the Independent and Non-Executive Directors and the Executive Director. He is available to address the concerns of shareholders in the event for which contact through the normal channels of communication with the Chairman or Management are inappropriate and inadequate.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

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

The Nominating Committee ("NC") comprises the following three members, the majority of whom, including the NC Chairman, are independent. The Lead Independent Director, Mr Ernest Yogarajah s/o Balasubramaniam, is a member of the NC:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the NC include:

- the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the Chief Executive Officer and key management personnel;
- to develop a process for the evaluation of performance of the Board, its Board committees and directors;
- to review training and professional development programs for the Board;
- to make recommendations to the Board on the appointment and reappointment of directors (including alternate directors, if applicable). If an alternate director is appointed, the alternate director should be familiar with the Company's affairs and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director;
- to determine, on an annual basis, if a director is independent;
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

A summary of the NC's activities during FY2019 is shown below:

- i) Reviewed the Board's performance for FY2019 on a collective basis
- ii) Reviewed and recommended to the Board the re-election of Toh Shih Hua as director
- iii) Annual review of the independence of the independent directors

Process for selection and appointment of new directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of Directors. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability, qualifications, age and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors.

CORPORATE GOVERNANCE REPORT

In identifying suitable candidates, the NC may:

- advertise or use the services of external advisors to facilitate a search; and
- consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group.

Process for re-appointment of directors

The role of NC also includes the recommendation of Directors for retirement by rotation pursuant to the Constitution of the Company. In reviewing the re-nomination of Directors, the NC will take into consideration the results of the assessment conducted on the Board as a whole, the Director's independence, contribution, performance (such as attendance and participation at Board meetings and other board appointments and principal commitments outside of the Group) and any other factors as may be deemed relevant by the NC. The Constitution of the Company currently requires one-third of the Board members (except the Chief Executive Officer) to retire from office by rotation and be subject to re-election by the shareholders at every Annual General Meeting ("AGM"). Notwithstanding the Constitution and pursuant to Rule 720(4) of the SGX Listing Rules, the Company shall require all directors (including the Chief Executive Officer) to submit themselves for re-nomination and re-election at least once every three years. In this aspect, the NC has recommended and the Board has agreed for Ms Toh Shih Hua to retire and seek re-election at the forthcoming AGM.

On an annual basis, the NC determines whether or not a director is independent, taking into account the Code definition of an "independent" director and guidance on relationships, the existence of which could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the interest of the Group.

Each Independent and Non-Executive Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2019. The NC has reviewed and is satisfied with the independence of the Independent and Non-Executive Directors.

The Board recognises that the Independent and Non-Executive Directors may over time develop significant insights in the Group's businesses and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the Independent and Non-Executive Directors must be based on the substance of their professionalism, integrity, objectivity and not merely based on the number of years which they have served on the Board.

As at the end of FY2019, Mr Ernest Yogarajah s/o Balasubramaniam has served on the Board for more than nine years from the date of his first appointment. The NC has subjected his independence to a rigorous review, taking into consideration the absence of potential conflicts of interests which may arise through, *inter alia*, a shareholding interest in the Company and assessment of his independence in character, judgment through his contributions to the Board discussions and deliberations. The NC is of the view that Mr Ernest Yogarajah s/o Balasubramaniam has demonstrated strong independence of character and judgment over the years in discharging his duties and responsibilities as the Independent and Non-Executive Director of the Company with the utmost commitment in upholding the interest of the shareholders. He has expressed individual viewpoints, objectively scrutinised issues and sought clarification as he deemed necessary. The NC has also noted that there were no relationships or circumstances which were likely to affect, or could appear to affect his independent judgement. As such, the NC had recommended to the Board and the Board concurred that Mr Ernest Yogarajah s/o Balasubramaniam's independence of character and judgement was not in any way affected or impaired by his length of service.

CORPORATE GOVERNANCE REPORT

The NC ensures that new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to the Company and has determined that the maximum number of listed company board representations which any Director of the Company may hold is 5. The NC has reviewed each Director's outside directorships and all directors have complied with the maximum limit and is satisfied that all directors are able to adequately carry out their duties as directors of the Company in FY2019.

Key information of each member of the Board is set out below:

Name of Director	Date of first appointment	Date of last re-election	Present directorships in other listed companies	Directorships in other listed companies over the preceding three years
Benedict Chen Onn Meng	23 May 2000	29 April 2019	Nil	Nil
Ernest Yogarajah s/o Balasubramaniam	10 May 2007	30 April 2018	Independent Director of Patec Precision Industry Co. Ltd listed on the Taiwan Stock Exchange	Nil
Toh Shih Hua	28 April 2015	28 April 2017	Independent Director of Biolidics Limited listed on the Singapore Stock Exchange	Nil

BOARD PERFORMANCE

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

The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance of the Board as a whole instead of individual assessment. The performance appraisal includes qualitative and quantitative factors including board structure, board processes, corporate strategy and planning, board performance and risk management and internal control etc.

The NC undertakes the Board performance appraisal on an annual basis. All Directors are requested to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board. The checklists are completed and submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board. The performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The key objective of the evaluation exercise is to obtain constructive feedback from each Director on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and each Director has been adequately contributing to the overall effectiveness and objectives of the Board.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("RC") comprises the following three members, the majority of whom, including the RC Chairman, are independent.:

Mr Ernest Yogarajah s/o Balasubramaniam	(Chairman)
Ms Toh Shih Hua	(Member)
Mr Benedict Chen Onn Meng	(Member)

The RC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the RC include:

- reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options, share-based incentives and awards and other benefits-in-kind with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;
- administering the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme; and
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the directors and key management personnel required to run the Group successfully.

The RC considers all aspects of remuneration (including directors' fees, salaries, allowances, bonuses, benefits in kind and termination payments) and will aim to be fair and avoid rewarding poor performance. During FY2019, the RC reviewed and recommended to the Board the directors' fee for the financial year ended 31 December 2019. The RC will also review the Company's obligations arising in the event of termination of the executive directors, the CEO and key management personnel's contracts of service, to ensure that such contract of service contain fair and reasonable termination clauses

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company. There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY2019.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

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

The RC has agreed on a performance-based compensation package for the Executive Director. The remuneration framework for the Executive Director comprises mainly a fixed component and a variable component, taking into account factors such as the individual performance and the duties and responsibilities required of the position. The fixed component is paid in the form of a base salary. The variable component is a profit sharing scheme that is performance-related to align his interest with those of the shareholders and other stakeholders and promotes the long-term success of the Company.

As part of its review, the RC ensures that the Executive Director and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Director and key management personnel.

The Company currently does not have any long-term incentive scheme, apart from the employee share performance scheme known as the "VibroPower Share Performance Scheme" which will expire in April 2020. The Company will consider the establishment of other forms of long term incentive schemes, as and when appropriate.

The RC has adopted a framework to remunerate the Independent and Non-Executive Directors based on their level of contribution to the Board, the effort and time spent, and responsibilities. The remuneration packages of the Independent and Non-Executive Directors comprise a basic director retainer fee and additional fees for appointment to Board Committees. While the remuneration frameworks are not subject to shareholders' approval, the directors' fees for Independent and Non-Executive Directors will be subjected to the approval of shareholders at AGMs. None of the Director or key management personnel is involved in deciding his own remuneration.

The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Director owes a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

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

The breakdown for the remuneration of the Directors for FY2019 is as follows:

Name	Salary	Performance Related Bonus	Fees	Allowances and other benefits	Total
\$250,000 to \$500,000					
Benedict Chen Onn Meng	79%	–	–	21%	100%
Below \$250,000					
Toh Shih Hua	–	–	100%	–	100%
Ernest Yogarajah s/o Balasubramaniam	–	–	100%	–	100%

There are no termination and retirement benefits that may be granted to the Directors.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors) for FY2019 is as follows:

Name	Salary	Performance Related Bonus	Fees	Allowances and other benefits	Total
Below \$250,000					
Sia Huai Peng	91%	–	–	9%	100%

There are no termination and retirement benefits that may be granted to the key management personnel. Save as disclosed above, there is no other key management personnel.

There is no employee who is a substantial shareholder or an immediate family member of a Director, the CEO or a substantial shareholder, and whose remuneration exceeds S\$100,000 for FY2019.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar. The remuneration of employees related to the Directors and Substantial Shareholders of the Company will also be reviewed annually by the RC.

In considering the disclosure of remuneration of the Directors and key management personnel, the Company has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Company believes that full detailed disclosure of the remuneration of each Director and each key management personnel and the aggregated total remuneration paid to the key management personnel as recommended by the Code would be prejudicial to the interests of the Group and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands.

The Company has an employee share performance scheme known as the "VibroPower Share Performance Scheme" ("Share Scheme") which serves to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. Shareholders have approved the Share Scheme on 30 April 2010. Directors who are also controlling shareholders of the Company and their associates are eligible to participate in the Share Scheme. As at the date of this report, no awards have been granted under the Share Scheme.

The Share Scheme will expire in April 2020 and the Company will consider the establishment of other forms of long term incentive schemes, as and when appropriate.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

The Board is responsible for the governance of risks and the overall internal control framework. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Group's strategic objectives.

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

The Board notes that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management systems. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' interests and the Group's assets. Currently, the Group does not have a risk management committee. The Board will look into the need for establishment of a separate Board risk committee at the relevant time.

Nexia TS Risk Advisory Pte Ltd ("Nexia TS") had previously assisted the Group to design and implement a framework which set out the Group's risk profile, the key risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the Audit Committee ("AC") and the Board. The framework provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place, which will allow the Group to address the on-going changes and challenges in the business environment, reduce uncertainties and facilitate the shareholder value creation process.

With the framework in place, Management would review regularly the key risks identified, considered the relevance of these risks, identify new risks which may arise and assess the internal controls in place to mitigate such risks. Management also reviews all significant policies and procedures and highlights all significant matters to the AC. After the AC has discussed and reviewed these risk matters highlighted to them by Management, a report would be given to the Board for consideration. If there are any matters in which any Board member is of the view poses weakness or risk to the operation of the Group, he can request Management to engage a professional risk consultant to look into it further.

The AC will ensure that a review of the effectiveness of the Group's risk management policies and procedures and internal controls in addressing material risks, including financial, operational, compliance and IT risks are 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 Management follows up on the external and internal auditors' recommendations raised, if any, during the audit process.

For FY2019, the Board has received :

- (a) assurance from the CEO and the Acting Group Financial Controller that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) assurance from the CEO and the Acting Group Financial Controller that the Group's risk management and internal control systems in place were adequate and effective to address the financial, operational, compliance and information technology risks in the current scope of the Group's business operations.

CORPORATE GOVERNANCE REPORT

Based on the internal control policies and procedures established and maintained by the Group, works performed by the external and internal auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2019.

AUDIT COMMITTEE

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

The AC comprises three members. Two members, including the AC Chairman, are Independent and Non-Executive Directors with financial and legal background while the third member is an Executive Director. The AC comprises the following members:

Ms Toh Shih Hua	(Chairman)
Mr Ernest Yogarajah s/o Balasubramaniam	(Member)
Mr Benedict Chen Onn Meng	(Member)

The Board recognises that the composition of the AC is not in accordance with the Code's provisions that the AC should be made up of entirely non-executive directors. However, the Board is of the view that independence is not compromise as majority of the members of the AC, including the Chairman, are Independent and Non-Executive Directors. Accordingly, no individual is able to dominate the AC's decision making process. None of the members of the AC is a former partner or director of the Company's external or internal auditors.

The AC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the AC include:

- to review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems (such review can be carried out internally or with the assistance of any competent third parties);
- review the assurance from the CEO and the CFO on the financial records and financial statements;
- to review the adequacy and effectiveness of internal controls and risk management systems;
- to make recommendations to the Board on (i) the proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and (ii) approving the remuneration and terms of engagement of the external auditor;
- to review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- to review the policy and arrangements by which staff of the Company or of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and conduct an independent investigation of such matters for appropriate follow-up action pursuant to the Company's whistle-blowing policy; and
- any other functions that are requested by the Board, as may be required by statute or the Listing Manual.

The AC meets at least twice a year to review the announcements of the half-year and full-year results before it is approved by the Board for release to the Singapore Exchange Securities Trading Limited ("SGX").

CORPORATE GOVERNANCE REPORT

The Board considers Ms Toh Shih Hua, who has extensive accounting and financial management knowledge and experience, is well-qualified to chair the AC. The other members of the AC bring with them invaluable experience in legal and business management. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge the duties and responsibilities of the AC.

As a sub-committee of the Board of Directors, the AC assist the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in the Group. The AC also reviews and supervises the internal audit functions of the Group.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC meets with the internal auditors and the external auditors, at least once a year, without the presence of Management in order to have free and unfettered access to unfiltered information and feedback.

The aggregate amount of audit fees paid or payable to the external auditors for FY2019 was stated on page 65 of the Annual report. No non-audit fees were paid to the external auditors in respect of FY2019. The AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.

For the financial year ended 31 December 2019, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to its auditors.

The Company has put in place a whistle-blowing policy and has implemented procedures and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the independent directors.

A dedicated email address has been given to all employees to allow whistle-blowers to contact the Independent and Non-Executive Directors directly. All complaints or concerns raised will be dealt with, including anonymous complaints. The policy ensures independent investigation of issues/concerns raised and appropriate and timely follow-up action, and provides assurance that whistle blowers will be protected from reprisal or victimization for whistle blowing in good faith and without malice, within the limits of the law. If necessary, the Independent and Non-Executive Directors will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policies and arrangements have been made available to all employees. During FY2019, there were no complaints, concerns or issues received.

The AC is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any.

CORPORATE GOVERNANCE REPORT

A summary of the AC's activities during FY2019 is shown below:

- i) Reviewed the Group's financial performance, internal and external audit reports.
- ii) Reviewed with the Management and the external auditors, the financial results of the Group before submitting them to the Board for its approval and announcement of the financial results.
- iii) Conducted an annual review of the volume of non-audit services provided by the external auditors to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. No non-audit fees were paid to the external auditors in respect of FY2019. The AC is satisfied with their independence and has recommended the re-appointment of the external auditors at the forthcoming Annual General Meeting of the Company.
- iv) Reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.
- v) The AC met with the internal auditors and the external auditors, without the presence of Management.
- vi) The external auditors updated the AC on changes and updates to the accounting standards, and other issues which might have a direct impact on the financial statements of the Group.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Conduct of General Meetings

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

The Company's corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

CORPORATE GOVERNANCE REPORT

All shareholders of the company receive the annual report of the company and notice of AGM within the mandatory period. The notice is also published in the local newspaper and made available on the SGXNET and the Company's website. Participation of shareholders is encouraged at the Company's general meetings. Resolutions tabled at general meetings are on each substantially separate issue. Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory note. This is to enable the shareholders to understand the nature and effect of the proposed resolution.

To facilitate voting by shareholders, the Company's Constitution allows shareholders to appoint up to two proxies to attend and vote at the same general meeting. The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's Annual General Meeting to address any questions that shareholders may have. The attendance of the Directors at the last AGM is set out under Principle 1 of this report.

The Board is of the view that absentia voting at general meeting may only be possible following careful study to ensure that the integrity of the information and authentication of the identify of shareholders through the web is not compromised.

The minutes of all general meetings are posted on the Company's corporate website as soon as practicable. The minutes include comments and questions received from shareholders, together with responses from the Board and the Management, as well as details of the proceedings.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's website.

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. In view of the challenging environment, the Board had not recommended dividend for FY2019 as the Board considered it prudent to reserve funds for working capital purposes.

ENGAGEMENT WITH SHAREHOLDERS

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

The Company is committed to provide timely disclosure of material information to shareholders and does so through the Annual Report, press releases, results announcements and other SGXNET announcements on developments within the Group or in relation to disclosures required by SGX. The Company does not practice selective disclosure as all materials and price-sensitive information are released through SGXNET in a timely manner.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

Shareholders are encouraged to attend and raise questions to the directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to express their views and raise issues either formally or informally. These meetings provide opportunities for the Board to engage with shareholders and solicit their feedback.

The Company's website at <http://www.vibropower.com> is also another channel to solicit and understand the views of the shareholders.

CORPORATE GOVERNANCE REPORT

ENGAGEMENT WITH STAKEHOLDERS

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

The Board considers working alongside with the Company's valued stakeholders as an important aspect to stay resilient, adaptable and innovative to build a sustainable business. The Company focuses its efforts on addressing the material issues about the stakeholders in order to embed sustainability in its business and operations. The Company's approach to long-term sustainability is by integrating sustainable practices into its management processes across every link of the value chain.

The key stakeholders have been identified as the environment and future generations, employees, customers, suppliers and communities linked directly to the Singapore offices and operations, the local supply chain as well as any overseas activities directly associated with the Group. The Company identifies and prioritizes issues according to their significance within the company boundaries, the sustainability context and the expectations of the stakeholders.

A more detailed elaboration on the Company's sustainability strategy and key areas of focus in relation to the management of stakeholder relationship is set out in the Sustainability Report 2019 which will publish separately from the annual report.

The Company will make available all media releases, financial results, annual reports, SGXNET announcements and other corporate information relating to the Group in the "Investor Relations" section of its corporate website <http://www.vibropower.com>.

INTERNAL CODE ON DEALING IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy on share dealings by its Directors and key officers, setting out the implications of insider trading and providing guidance to employees on dealing in the Company's shares. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing two weeks before the announcement of the Company's half yearly financial results and one month before the announcement of the Company's full-year financial results.
- Directors and key officers should not deal in the Company's securities on short-term consideration.
- Directors and key officers of the Company are also required to adhere to the provisions of the Securities and Futures Act, Chapter 289, Companies Act, Chapter 50 and any other relevant laws, rules and regulations with regard to their securities transactions. To enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the Company's securities by the Directors and officers of the Group.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The AC reviewed the Group's IPTs for FY2019 to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. On a half-yearly basis, Management reports to the AC, the IPTs in accordance with the IPT Mandate. Management also informed the AC that the internal control procedures for determining the transaction prices of IPTs have not changed since the date of the last AGM, at which the IPT Mandate was last renewed. The AC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of IPTs are effective.

The aggregate value of transactions entered into by the Group with interested persons as defined in the SGX-ST Listing Manual for FY2019 are as follow:

Nature of relationship	Nature of relationship	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)
Mason Industries Pte Ltd	Note 1	418,000	2,180,000
Wizdenki Pte Ltd	Note 2	198,000	–

Note 1. 95.5% of the issued and paid-up share capital of Mason Industries Pte Ltd is held by Mr Chen Siew Meng, who is the brother of Mr Benedict Chen Onn Meng, a Director and Controlling Shareholder of the Company.

Note 2. 100% of the issued and paid-up share capital of Wizdenki Pte Ltd is held by Mr Chen Siew Meng, who is the brother of Mr Benedict Chen Onn Meng, a Director and Controlling Shareholder of the Company.

Save as disclosed above, pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, there was no material contract involving the interests of any director or controlling shareholder entered into by the Company or any of its subsidiaries, either still subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

The Company is seeking a renewal of the Shareholders' Mandate for Interested Person Transactions at the forthcoming AGM.

UTILIZATION OF PROCEEDS FROM RIGHTS ISSUE

As at the date of this Annual Report, the utilization of proceeds from the Rights Issue is as follows:

Use of the Net Proceeds	Amount S\$
Professional fee and Payroll	140,000
Repayment of Trust Receipt for purchase of inventories and invoice Financing	200,000
Total	340,000

The above utilization is in accordance with the intended use of the Net Proceeds as stated in the Rights Issue Announcement and Offer Information Statement.

DIRECTORS' STATEMENT

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

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Benedict Chen Onn Meng
Ernest Yogarajah s/o Balasubramaniam
Toh Shih Hua

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct Interest			Deemed Interest		
	At 1.1.2019	At 31.12.2019	At 21.1.2020	At 1.1.2019	At 31.12.2019	At 21.1.2020
The Company (Ordinary shares)						
Benedict Chen Onn Meng	8,000,120	8,000,120	12,000,180	87,600	87,600	131,400
(Warrants)¹						
Benedict Chen Onn Meng	–	–	4,000,060	–	–	43,800

1 Pursuant to the Rights cum Warrants Issue, 17,975,428 free detachable warrants, each carrying the right to subscribe for 1 new ordinary share at an exercise price of S\$0.10 for each Warrant Share were issued and listed on the Official List of the Singapore Exchange Securities Trading Limited on 17 January 2020 and 21 January 2020 respectively. The Warrants may be exercised at any time during the period commencing on and including the date of issue of the Warrants and expiring on the date immediately preceding five (5) years from the date of issue of the Warrants. The exercise price of the Warrants and the number of Warrants are fixed except for certain events pursuant to the terms and conditions of the Warrants set out in the Deed Poll. As at 21 January 2020, the exercise price of the Warrants was S\$0.10 and a total of 17,975,428 Warrants remains outstanding.

The deemed interest of Benedict Chen Onn Meng arises from shares held through his Central Provident Fund ("CPF") investment account (UOB Kay Hian Pte Ltd) of 87,600 ordinary shares (2018: 87,600 ordinary shares). As at 21 January 2020, the deemed interest has increased to 131,400 ordinary shares and 43,800 warrant shares pursuant to the Rights cum Warrants issue.

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

5. OPTIONS

During the financial year, no option to take up unissued shares of the Company or related corporations was granted.

During the financial year, there were no shares of the Company or related corporations issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or related corporations under option.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors, as well as the external auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

DIRECTORS' STATEMENT

7. AUDITOR

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

On behalf of the board of directors:

Benedict Chen Onn Meng
Director

Toh Shih Hua
Director

Singapore
6 April 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBROPOWER CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBROPOWER CORPORATION LIMITED

Recoverability of trade receivables

The Group's trade receivables and contract assets balances were significant as these represent 22% of the total assets in the consolidated balance sheet. Trade receivables and contract assets amounted to \$8,683,000 as at 31 December 2019, against which an allowance for expected credit losses ("ECL") of \$2,627,000 was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines impairment of trade receivables and contract assets by making debtor-specific assessment of ECL and uses a provision matrix for the remaining group of debtors that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables and contract assets impairment assessment requires significant management judgement. As such, we determined this is a key audit matter.

We assessed the Group's processes and key controls relating to the monitoring of trade receivables and contract assets and considered ageing to identify collection risks. We requested for confirmations and checked for evidence of receipts subsequent to the year end for selected trade debtors. We discussed with management about the status of long outstanding trade receivables balance and management's consideration of debtors' specific profiles and risks. We also evaluated management's assumptions and inputs used in the computation of historical loss rates and assessed the reasonableness of management's assumptions used in establishing the forward-looking adjustments. We assessed the adequacy of the Group's disclosures on the trade receivables and contract assets and the related risks such as credit risk and liquidity risk in Note 33 to the financial statements.

Allowance for slow-moving and obsolete inventories

The Group's inventories amounted to \$6,665,000 as at 31 December 2019. The Group's inventories balances were significant as these represent 24% of the total assets in the consolidated balance sheet. The determination of allowance for slow-moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of required allowance. As such, we determined this is a key audit matter.

We observed the year-end inventory count performed by management and reviewed management's assessment of the physical condition of the inventories at the balance sheet date. As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving items and assess adequacy of the allowance for slow-moving and obsolete inventories. We reviewed the reasonableness of the allowance for slow-moving and obsolete inventories by comparing the inventory turnover, gross profit margin and inventory ageing against prior years' results. We selected samples of inventories and tested whether they were stated at the lower of cost and net realisable value by comparing to sales price of the inventories subsequent year-end. We also assessed the adequacy of the disclosures related to inventories in Note 17 to the financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBROPOWER CORPORATION LIMITED

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBROPOWER CORPORATION LIMITED

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

- 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 Philip Ling.

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore
6 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 \$'000	Group 2018 \$'000
Revenue from contracts with customers	4	11,027	15,480
Cost of sales		(9,511)	(12,116)
Gross profit		1,516	3,364
Other items of income			
Interest income	5	207	236
Other credits	6	50	415
Other income		551	–
Other items of expense			
Marketing and distribution costs		(233)	(234)
Administrative expenses		(2,046)	(2,182)
Finance costs	7	(499)	(549)
Impairment losses on financial assets	6	(1,592)	(153)
Other charges	6	(77)	(73)
Other expenses		(501)	–
Share of results of an associate		(176)	(60)
(Loss)/profit before tax		(2,800)	764
Income tax expense	10	(113)	(204)
(Loss)/profit net of tax		(2,913)	560
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(228)	22
Other comprehensive (loss)/income for the year, net of tax		(228)	22
Total comprehensive (loss)/income for the year		(3,141)	582
(Loss)/profit attributable to:			
Owners of the Company		(2,912)	448
Non-controlling interests		(1)	112
		(2,913)	560
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(3,139)	471
Non-controlling interests		(2)	111
		(3,141)	582
(Loss)/earnings per share		Cents	Cents
Currency unit			
Basic and diluted	11	(8.10)	1.25

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	6,044	6,144	-	-
Investment property	13	3,116	3,122	-	-
Right-of-use assets	25	1,222	-	-	-
Investment in subsidiaries	14	-	-	14,914	14,770
Investment in an associate	15	251	454	-	-
Deferred tax assets	16	9	14	-	-
Trade and other receivables	18	308	52	-	-
Total non-current assets		10,950	9,786	14,914	14,770
Current assets					
Inventories	17	6,665	6,089	-	-
Trade and other receivables	18	6,993	12,914	1,406	1,124
Contract assets	4	970	1,289	-	-
Other assets	19	1,081	2,399	105	2
Cash and cash equivalents	20	1,342	1,594	145	50
Total current assets		17,051	24,285	1,656	1,176
Total assets		28,001	34,071	16,570	15,946
EQUITY AND LIABILITIES					
Equity					
Share capital	21	15,322	15,322	15,322	15,322
Treasury shares	21	(388)	(388)	(388)	(388)
(Accumulated losses)/retained earnings		(447)	2,465	(148)	(16)
Reserves	22	(715)	(488)	-	-
Equity attributable to equity holders of the Company		13,772	16,911	14,786	14,918
Non-controlling interests		1,691	1,693	-	-
Total equity		15,463	18,604	14,786	14,918
Non-current liabilities					
Finance leases	26	-	92	-	-
Loans and borrowings	24	2,039	2,302	-	-
Lease liabilities	25	529	-	-	-
Total non-current liabilities		2,568	2,394	-	-
Current liabilities					
Provisions	23	15	19	-	-
Income tax payable		119	52	-	-
Payables and accruals	27	4,491	6,772	1,784	1,028
Finance leases	26	-	85	-	-
Loans and borrowings	24	4,997	6,057	-	-
Lease liabilities	25	96	-	-	-
Other liabilities	28	252	88	-	-
Total current liabilities		9,970	13,073	1,784	1,028
Total liabilities		12,538	15,467	1,784	1,028
Total equity and liabilities		28,001	34,071	16,570	15,946

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings/	Total	Non-controlling interests	Total equity
	(Note 21)	(Note 21)	(Note 22)	(accumulated losses)			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019							
Group							
Opening balance at 1 January 2019	15,322	(388)	(488)	2,465	16,911	1,693	18,604
Loss for the year	–	–	–	(2,912)	(2,912)	(1)	(2,913)
<u>Other comprehensive loss</u>							
Foreign currency translation	–	–	(227)	–	(227)	(1)	(228)
Other comprehensive loss for the year, net of tax	–	–	(227)	–	(227)	(1)	(228)
Total comprehensive loss for the year	–	–	(227)	(2,912)	(3,139)	(2)	(3,141)
Closing balance at 31 December 2019	15,322	(388)	(715)	(447)	13,772	1,691	15,463

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company				Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Reserves (Note 22) \$'000	Retained earnings \$'000			
2018 Group							
Opening balance at 1 January 2018	15,322	(388)	(511)	2,017	16,440	1,582	18,022
Profit for the year	–	–	–	448	448	112	560
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	23	–	23	(1)	22
Other comprehensive income for the year, net of tax	–	–	23	–	23	(1)	22
Total comprehensive income for the year	–	–	23	448	471	111	582
Closing balance at 31 December 2018	15,322	(388)	(488)	2,465	16,911	1,693	18,604

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Accumulated losses \$'000	Total \$'000
2019				
Company				
Opening balance at 1 January 2019	15,322	(388)	(16)	14,918
Loss for the year representing total comprehensive income for the year	–	–	(132)	(132)
Total comprehensive income for the year	–	–	(132)	(132)
Closing balance at 31 December 2019	15,322	(388)	(148)	14,786
2018				
Company				
Opening balance at 1 January 2018	15,322	(388)	126	15,060
Loss for the year representing total comprehensive income for the year	–	–	(142)	(142)
Total comprehensive income for the year	–	–	(142)	(142)
Closing balance at 31 December 2018	15,322	(388)	(16)	14,918

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 \$'000	2018 \$'000
Cash flows from operating activities			
(Loss)/profit before tax		(2,800)	764
<u>Adjustments for:</u>			
Interest income	5	(207)	(236)
Finance costs	7	499	549
Depreciation of property, plant and equipment	12	577	646
Depreciation of right-of-use assets	25	117	–
Written back of other payables		(15)	–
Deposit forfeited		–	(31)
Currency translation differences		(32)	151
(Reversal)/provision for product warranty expense	23	(3)	66
Reversal of allowance for slow moving inventories	6	(31)	(148)
Obsolete inventory written off		–	7
Write-off of trade receivables	6	26	–
Provision for expected credit losses on trade receivables (net)	6	1,053	153
Provision for expected credit losses on other receivables (net)	6	513	–
Share of results of an associate		176	60
Operating cash flows before changes in working capital		(127)	1,981
<u>Changes in working capital</u>			
(Increase)/decrease in inventories		(879)	1,432
Decrease in trade and other receivables		3,775	94
Decrease/(increase) in contract assets		305	(1,025)
Decrease/(increase) in other assets		1,066	(1,285)
(Decrease)/increase in payables and accruals		(2,169)	185
Increase/(decrease) in other liabilities		167	(154)
Decrease in provisions		(3)	(64)
Cash flows from operations		2,135	1,164
Income taxes (paid)/refund		(38)	31
Interest received		2	39
Interest paid		(431)	(389)
Net cash flows from operating activities		1,668	845
Cash flows from investing activities			
Purchase of property, plant and equipment		(816)	(91)
Proceeds from disposal of property, plant and equipment		253	11
Net cash flows used in investing activities		(563)	(80)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 \$'000	2018 \$'000
Cash flows from financing activities			
Proceeds from loans and borrowings		12,570	14,228
Repayment of loans and borrowings		(13,797)	(14,571)
Repayment of obligations under finance leases		–	(109)
Repayment of principal portion of lease liabilities		(118)	–
		<hr/>	<hr/>
Net cash flows used in financing activities		(1,345)	(452)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(240)	313
Effects of exchange rate changes on cash and cash equivalents		(12)	5
Cash and cash equivalents at 1 January		1,594	1,276
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	20	1,342	1,594

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 11 Tuas Avenue 16, Singapore 638929.

The principal activities of the Company are those of an investment holding company and the provision of management and administrative support to its subsidiaries.

The principal activities of the subsidiaries are described in Note 14 to the financial statements below.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 6 April 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

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

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

The financial statements are prepared on a going concern basis. For the financial year ended 31 December 2019, the Group reported a net loss of S\$2,913,000. The Group has prepared a cash flow forecast, which indicates that the Group is expected to have sufficient cash to meet their operating cash flow requirements for at least twelve months from the date of these financial statements.

2.2 *New accounting standards effective on 1 January 2019*

SFRS(I) 16 Leases

The Group adopted *SFRS(I) 16* using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected the following practical expedients:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) 16 Leases (cont'd)

The effect of adoption *SFRS(I) 16* as at 1 January 2019 (increase/(decrease)) is, as follows:

	1 January 2019
	\$'000
<u>Assets:</u>	
Right-of-use assets	1,354
Property, plant and equipment	(404)
Prepayments	(402)
	<hr/>
Total assets	548
	<hr/>
<u>Liabilities:</u>	
Lease liabilities	725
Finance leases	(177)
	<hr/>
Total liabilities	548
	<hr/>

The Group has lease contracts for equipment, leasehold land and leasehold property. Before the adoption of *SFRS(I) 16*, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of *SFRS(I) 16*, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.19 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases (cont'd)

Based on the above, as at 1 January 2019:

- (i) Right-of-use assets of \$1,354,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of \$404,000 that were reclassified from Property, plant and equipment.
- (ii) Additional lease liabilities of \$725,000 were recognised.
- (iii) Finance lease of \$177,000 were derecognised.
- (iv) Prepayments of \$402,000 and related to previous operating leases were derecognised.

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

	\$'000
Operating lease commitments as at 31 December 2018	922
Weighted average incremental borrowing rate as at 1 January 2019	<u>6.8%</u>
Discounted operating lease commitments as at 1 January 2019	548
Less:	
Commitments relating to short-term leases	(25)
Commitments relating to leases of low-value assets	(5)
Add:	
Commitments relating to leases previously classified as finance leases	177
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	<u>30</u>
Lease liabilities as at 1 January 2019	<u>725</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to <i>SFRS(I) 3: Definition of a Business</i>	1 January 2020
Amendments to <i>SFRS(I) 1-1</i> and <i>SFRS(I) 1-8: Definition of Material</i>	1 January 2020
Amendments to <i>SFRS(I) 10</i> and <i>SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

2.4 *Basis of consolidation and business combinations*

(a) **Basis of consolidation**

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

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

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

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

(b) **Transactions with non-controlling interests**

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.5 *Foreign currency*

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

(a) **Transactions and balances**

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

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

(b) **Consolidated financial statements**

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

2.6 *Property, plant and equipment*

(a) **Measurement**

Items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss.

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

(b) **Components of costs**

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.6 *Property, plant and equipment (cont'd)*

(c) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Leasehold property and improvements	–	Over the lease term to 2035
Plant and equipment	–	1 to 10 years

The residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end date. The effects of any revision are recognised in the profit or loss when the change arises. 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.

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

(d) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit or loss when incurred.

(e) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss within "Other charges" or "Other credits".

2.7 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

The Group adopts cost model which is to measure the investment property at cost less accumulated depreciation and accumulated impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.8 *Subsidiaries*

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

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

2.9 *Joint ventures and associates*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Financial instruments*

(a) **Financial assets**

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.11 *Financial instruments (cont'd)*

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

Subsequent measurement

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

(i) *Loans and receivables*

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

(ii) *Available-for-sale financial assets*

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

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

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.11 *Financial instruments (cont'd)*

(b) **Financial liabilities**

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.12 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.12 *Impairment of financial assets (cont'd)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

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

2.15 *Provisions*

General

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

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

Warranty provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.16 *Financial guarantees*

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.17 *Borrowing costs*

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

2.18 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.19 *Leases*

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

(a) As lessee

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.19 Leases (cont'd)

(a) As lessee (cont'd)

(i) Right-of-use assets

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

Leasehold land	–	Over the lease term to 2035
Leasehold property	–	Over the lease term to 2029
Equipment	–	Over the lease term to 2020

The right-of-use assets are also subject to impairment. Refer to the accounting policies in 2.10 Impairment of non-financial assets.

(ii) Lease liabilities

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

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

The Group's lease liabilities are included in Lease liabilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.19 Leases (cont'd)

(a) As lessee (cont'd)

(iii) Short-term leases and leases of low-value assets

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

(b) As lessor

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

2.20 Revenue from contracts with customers

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

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

(a) Sale of goods (power generators)

Revenue is recognised when control over the power generator has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For sale of power generators whereby the Group has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the costs incurred to date as a proportion of the estimated total costs to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.20 Revenue from contracts with customers (cont'd)

(a) Sale of goods (power generators) (cont'd)

For sale of power generators whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified performance milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional.

(b) Sale of goods (electricity supply)

Revenue is recognised when the Group has transferred the electricity to its customer on the basis of the number of units of power supplied in accordance with joint meter readings and collectability of the related receivables is reasonably assured.

(c) Rendering of services

Revenue from rendering services is recognised based on the extent of the services rendered.

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

2.21 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.21 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.21 Taxes (cont'd)

(c) Sales tax

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

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

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

2.22 Share capital and share issuance expenses

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

2.23 Treasury shares

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

2.24 Contingencies

A contingent liability is:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.25 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2.26 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and/or
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3.2 Key source of estimation uncertainty

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

Provision for expected credit losses of trade receivables and contract assets

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of the customer's actual default in the future. The information is about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 33(a).

The carrying amount of trade receivables and contract assets as at 31 December 2019 are \$5,086,000 and \$970,000 (2018: \$10,229,000 and \$1,289,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key source of estimation uncertainty (cont'd)

Net realisable value of inventories

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most acceptable evidence available at the end of the financial year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the financial year was \$6,665,000 (2018: \$6,089,000).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

	Projects		Power plant		Others		Total revenue	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Major product or service lines								
Sale of generators	10,016	13,870	–	–	–	–	10,016	13,870
Electricity supply	–	–	527	1,081	–	–	527	1,081
Rendering of services	254	295	–	–	–	–	254	295
Rental income	–	–	–	–	230	234	230	234
	10,270	14,165	527	1,081	230	234	11,027	15,480
Timing of transfer of goods or services								
At a point in time	811	2,186	527	1,081	230	234	1,568	3,501
Over time	9,459	11,979	–	–	–	–	9,459	11,979
	10,270	14,165	527	1,081	230	234	11,027	15,480

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from sale of generators over time

For the sale of generators where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the power generators to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the power generators. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the power generators.

The estimated total costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates management takes into consideration the historical trends of the amounts incurred in its other similar development properties, analysed by different generator ratings and geographical areas for the past 3 to 5 years.

(c) Contract assets

	Group	
	2019	2018
	\$'000	\$'000
Receivables from contracts with customers (Note 18)	5,086	10,229
Contract assets	970	1,289

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of power generators. Contract assets are transferred to receivables when rights become unconditional.

5. INTEREST INCOME

	Group	
	2019	2018
	\$'000	\$'000
Interest income from:		
Loans and receivables	207	236

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2019	2018
	\$'000	\$'000
Impairment losses on financial assets:		
– Provision for expected credit losses on trade receivables	(1,068)	(201)
– Write-off of trade receivables	(26)	–
– Reversal of expected credit losses on trade receivables	15	48
– Provision for expected credit losses on other receivables	(699)	–
– Reversal of expected credit losses on other receivables	186	–
Foreign exchange (loss)/gain	(77)	5
Reversal/(provision) for product warranty expense	3	(66)
Reversal of allowance for slow moving inventories	31	148
Written back of other payables	15	–
Deposits received forfeited	–	31
Obsolete inventory written off	–	(7)
Tax rebate	–	203
Others	1	28
	<hr/>	<hr/>
Presented in profit or loss as:		
Other credits	50	415
Impairment losses on financial assets	(1,592)	(153)
Other charges	(77)	(73)
	<hr/>	<hr/>
Net	1,619	189
	<hr/>	<hr/>

7. FINANCE COSTS

	Group	
	2019	2018
	\$'000	\$'000
Interest expense on:		
– Bank loans	450	540
– Obligation under finance leases	–	9
– Lease liabilities	49	–
	<hr/>	<hr/>
	499	549
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	2018
	\$'000	\$'000
Salaries and bonuses	1,869	1,966
Contributions to defined contribution plan	98	125
Other benefits	93	81
Total employee benefits expense	<u>2,060</u>	<u>2,172</u>

9. ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

The following items have been included in arriving at loss/profit before tax:

	Group	
	2019	2018
	\$'000	\$'000
Audit fees to independent auditor of the Company	98	116
Audit fees to affiliated auditors of the Company	43	13
Audit fees to other independent auditors	10	20
Employees benefits expense (Note 8)	2,060	2,172
Depreciation of property, plant and equipment (Note 12)	577	646
Depreciation of right-of-use assets (Note 25)	117	–
Expense relating to short term lease (Note 25)	17	–
Expense relating to leases of low-value assets (Note 25)	2	–
Inventories recognised as an expense in cost of sales (Note 17)	<u>7,497</u>	<u>9,889</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSE

Major components of income tax expense

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

	Group	
	2019	2018
	\$'000	\$'000
<u>Current tax (expense):</u>		
Current year	(40)	4
Under provision in respect of prior years	(69)	(41)
	(109)	(37)
<u>Deferred tax expense:</u>		
Current year	(4)	(167)
Income tax expense recognised in profit or loss	(113)	(204)

Relationship between tax expense and accounting (loss)/profit

A reconciliation between tax expense and accounting (loss)/profit before tax multiplied by the applicable Singapore corporate tax rates for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	2018
	\$'000	\$'000
(Loss)/profit before tax	(2,800)	764
Income tax (credit)/expense at a tax rate of 17% (2018:17%)	(476)	130
Effects of different tax rates in different countries	(35)	51
Income not subject to taxation	(30)	(65)
Non-deductible items	307	392
Effect of partial tax exemption and tax relief	(9)	(134)
Benefits from previously unrecognised tax losses	–	(243)
Under provision in respect of prior years	69	41
Others	48	32
Deferred tax assets not recognised	239	–
Total income tax expense	113	204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSES (CONT'D)

	Group	
	2019	2018
	\$'000	\$'000
<u>Deferred tax expense recognised in profit or loss:</u>		
Excess of tax value of plant and equipment over net book value	(11)	11
Excess of net book value of plant and equipment over tax value	(16)	155
Others	31	1
	<hr/>	<hr/>
Total deferred tax expense recognised in profit or loss	4	167
	<hr/>	<hr/>

11. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

Basic earnings per share is calculated by dividing the profit or loss, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit or loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2019	2018
	\$'000	\$'000
(Loss)/profit, net of tax attributable to owners of the Company	(2,912)	448
	<hr/>	<hr/>
	<u>Number of shares</u>	
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	35,950,856	35,950,856
	<hr/>	<hr/>
Basic and diluted (loss)/earnings per share (cents)	(8.10)	1.25
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property and improvements \$'000	Plant and equipment \$'000	Freehold land \$'000	Total \$'000
Group				
Cost				
At 31 December 2017	2,889	8,011	3,113	14,013
Exchange differences	63	(94)	–	(31)
Additions	172	535	–	707
Disposals	–	(23)	–	(23)
Transfer to investment property	–	–	(3,113)	(3,113)
At 31 December 2018	3,124	8,429	–	11,553
Transfer to right-of-use assets	–	(592)	–	(592)
At 1 January 2019	3,124	7,837	–	10,961
Exchange differences	(40)	(196)	–	(236)
Additions	–	1,286	–	1,286
Disposals	–	(263)	–	(263)
At 31 December 2019	3,084	8,664	–	11,748
Accumulated depreciation				
At 31 December 2017	1,946	2,749	–	4,695
Exchange differences	43	37	–	80
Depreciation for the year	71	575	–	646
Disposals	–	(12)	–	(12)
At 31 December 2018	2,060	3,349	–	5,409
Transfer to right-of-use assets	–	(188)	–	(188)
At 1 January 2019	2,060	3,161	–	5,221
Exchange differences	(31)	(53)	–	(84)
Depreciation for the year	74	503	–	577
Disposals	–	(10)	–	(10)
At 31 December 2019	2,103	3,601	–	5,704
Net book value				
At 31 December 2018	1,064	5,080	–	6,144
At 31 December 2019	981	5,063	–	6,044

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Assets held under finance leases

As at 1 January 2019, the lease assets recognised previously under finance leases of \$404,000 were reclassified from Property, plant and equipment to Right-of-use assets. Refer to Note 25 for information on Right-of-use assets.

The lease assets are pledged as security for the related lease liabilities.

Asset pledged as security

The Group's leasehold property and improvements with a carrying amount of \$981,000 (2018: \$1,064,000) and equipment of \$616,000 are mortgaged to secure the Group's other loan (Note 24). There is no equipment mortgaged in 2018.

Purchases of property, plant and equipment

As at 31 December 2019, the Group recognized additions to Property, plant and equipment of \$1,286,000 (2018: \$707,000) which consists of self-assembled equipment of \$246,000 (2018: \$516,000) and purchases of \$1,040,000 (2018: \$191,000), of which \$816,000 (2018: \$91,000) has been paid during the year.

13. INVESTMENT PROPERTY

	Freehold land⁽¹⁾ \$'000
Group	
Cost	
1 January and 31 December 2017	–
Exchange differences	9
Transfer from Property, plant and equipment	3,113
	<hr/>
1 January and 31 December 2018	3,122
Exchange differences	(6)
	<hr/>
At 31 December 2019	3,116
	<hr/>
Net book value	
At 31 December 2018	3,122
	<hr/>
At 31 December 2019	3,116
	<hr/>

(1) Investment property pertains to a freehold land held by a subsidiary.

The Group is using the freehold land to generate rental income. The land is located in Kluang, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares	7,028	7,028
Amount due from a subsidiary ^(a)	8,914	8,770
	15,942	15,798
Impairment losses	(1,028)	(1,028)
Net carrying value at end of the year	14,914	14,770
<u>Movements in allowance for impairment:</u>		
Balance at beginning of year	1,028	1,028
Balance at end of the year	1,028	1,028

The impairment loss represents the write-down of the carrying value of a subsidiary in full.

(a) The Company does not have the intention of demanding for the settlement of the amount due from a subsidiary in the foreseeable future as the amount forms, in substance, a part of the Company's net investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the Company and the Group is listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group	
	2019 %	2018 %
GMTM Holdings Pte. Ltd. Singapore Investment holding (Ernst & Young LLP, Singapore)	100	100
Shanghai VibroPower Generators Equipment Co. Ltd. ^(a) People's Republic of China Import and sale of engines and spare parts (Shanghai Mingyu Certified Public Accountants Co., Ltd)	100	100
VibroPower Pte. Ltd. Singapore Supply, design, manufacture, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100
Held through VibroPower Pte. Ltd.		
VibroPower (HK) Limited ^(a) Hong Kong Supply, installation, commissioning and servicing of generators (Raymond Yeung & Co.)	100	100
Indamex (UK) Limited ^(b) United Kingdom Trader in generator parts and accessories	100	100
VibroPower Generators Sdn. Bhd. Malaysia Trading, installation, commissioning and servicing of diesel generators (Ernst & Young LLP, Malaysia)	100	100
VibroPower Generators (India) Private Limited ^(a) India Trading, installation, commissioning and servicing of diesel generators (Suresh Surana & Associates LLP)	100	100
VibroPower Sales And Services (S) Pte. Ltd. Singapore Trading, installation, commissioning and servicing of generators (Ernst & Young LLP, Singapore)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by Group	
	2019 %	2018 %
Held through GMTM Holdings Pte. Ltd.		
Indamex (F.E) Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower (UK) Limited ^(b) United Kingdom Import and export of engines and spare parts	100	100
Scott & English Pte. Ltd. Singapore Manufacture and repair of electric generators (Ernst & Young LLP, Singapore)	100	100
VibroPower Generators Middle East (FZE) ^(b) United Arab Emirates Manufacture and repair of electric generators	100	100
Held through VibroPower (HK) Limited		
Shanxi Weineng Coal Mine Gas Development Co., Ltd. ^(c) People's Republic of China Development, operation and management of power generations projects (Shanxi Huihua Certified Public Accountants Co., Ltd)	100	100
Agrimal Project Sdn. Bhd. ^(a) Malaysia Property developer (Lesmond & Associates, Malaysia)	68.2	68.2

(a) Audited by firms of accountants other than member firms of Ernst & Young Global. Their names are indicated above.

(b) Not audited as it is not required to be audited under the laws of the respective countries.

(c) Audit by EY Global for consolidation purposes.

The Company holds 68.2% effective interest in Agrimal Project Sdn. Bhd., through its wholly owned subsidiary, VibroPower (HK) Limited and associated company VibroPower Green Energy Sdn. Bhd, which in turn hold 47% and 53% issued and paid up share capital of Agrimal Project Sdn. Bhd., respectively.

In accordance to the Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and the effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INVESTMENT IN AN ASSOCIATE

	Group	
	2019	2018
	\$'000	\$'000
Shares, at cost	600	600
Share of post-acquisition reserve	(255)	(79)
Less: Group's share of unrealised profits	(22)	–
Exchange differences	(72)	(67)
	251	454

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2019 %	2018 %

Held through subsidiary

VibroPower Green Energy Sdn. Bhd.*	Malaysia	To build and operate a biomass power plant	40	40
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* Audited by Lesmond & Associates, Malaysia

The summarised financial information in respect of VibroPower Green Energy Sdn. Bhd, based on SFRS(I) financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	VibroPower Green Energy Sdn. Bhd.	
	2019	2018
	\$'000	\$'000
Current assets	346	315
Non-current assets	3,425	1,940
Total assets	3,771	2,255
Current liabilities	3,088	1,120
Total liabilities	3,088	1,120
Net assets	683	1,135
Group's share of net assets	273	454
Less: Group share of unrealised profits	(22)	–
Carrying amount of the investment	251	454

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INVESTMENT IN AN ASSOCIATE (CONT'D)

Summarised statement of comprehensive income

	VibroPower Green Energy Sdn. Bhd.	
	2019	2018
	\$'000	\$'000
Loss for the year representing total comprehensive income for the year	(440)	(151)
Total comprehensive income	(440)	(151)

16. DEFERRED TAX ASSETS

Deferred tax balances in the balance sheet:

	Group	
	2019	2018
	\$'000	\$'000
Excess of tax value of plant and equipment over net book value	38	10
Provision	2	3
Others	(31)	1
Net balance	9	14

At the end of the reporting period, the Group has tax losses of approximately \$4,480,000 (2018: \$1,983,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. Except for an amount of \$2,085,000 which will expire between 2021 and 2026 (2018: 2020 and 2025), there is no time limit imposed on the utilization of the remaining tax losses. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At end of the reporting period, the Group had potential dividend distribution tax liability amounting to \$287,000 (2018: \$288,000), associated with undistributed earnings of the Group's subsidiaries. As at 31 December 2019 and 31 December 2018, no deferred tax liability has been recognised in respect of these differences because the Company is in a position to control the dividend policies of these subsidiaries and provision is made only when there is a plan for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. INVENTORIES

	Group	
	2019	2018
	\$'000	\$'000
Parts and components	4,973	5,553
Work-in-progress	1,692	536
	<u>6,665</u>	<u>6,089</u>
Inventories are stated after deducting allowance for slow moving inventories:		
<u>Analysis of allowance:</u>		
Balance at beginning of the year	224	371
Reversed to profit or loss included in other credits	(31)	(148)
Exchange differences	(3)	1
Balance at end of the year	<u>190</u>	<u>224</u>
Changes in inventories of work-in-progress	1,156	(818)
Inventories recognised as an expense in cost of sales	<u>7,497</u>	<u>9,889</u>

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2019.

Certain inventories were purchased under trust receipts (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade and other receivables (current):				953
<u>Trade receivables:</u>				
Due from external parties	6,242	10,739	41	–
Allowance for expected credit losses	(2,501)	(1,608)	–	–
Due from subsidiaries	–	–	79	79
Allowance for expected credit losses	–	–	(79)	(79)
Retention monies	1,060	1,098	–	–
Subtotal	4,801	10,229	41	–
<u>Other receivables:</u>				
Due from subsidiaries	–	–	1,399	1,158
Due from an associate	1,416	77	–	–
Due from a related party	170	113	–	–
Advance for an investment project	538	1,809	–	–
Due from external parties	689	632	–	–
Others	310	480	–	–
Allowance for expected credit losses	(931)	(426)	(34)	(34)
Subtotal	2,192	2,685	1,365	1,124
Total trade and other receivables (current)	6,993	12,914	1,406	1,124
Trade and other receivables (non-current):				
Trade receivables	411	–	–	–
Allowance for expected credit losses	(126)	–	–	–
Other receivables	23	52	–	–
Total trade and other receivables (non-current)	308	52	–	–
Add: Cash at banks and on hand (Note 20)	1,342	1,594	145	50
Total loans and receivables	8,643	14,560	1,551	1,174

Trade receivables:

Trade receivables are non-interest bearing. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables (Current):

Amounts due from subsidiaries, associate and related parties are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

Advance for an investment project is unsecured, non-interest bearing, non-trade related, and repayable on demand by cash. The interest has not been recognised.

The amounts due from external parties of \$689,000 (2018: \$632,000) are unsecured, non-trade related, repayable on demand by cash, and is interest bearing at 12% per annum. The amount has been fully provided as at 31 December 2019.

Others are unsecured, non-interest bearing, non-trade related, and repayable on demand by cash.

Set out below is the movement in the allowance for expected credit losses of trade receivables and other receivables:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Balance at beginning of the year	1,608	1,452	79	79
Provision for expected credit losses (Note 6)	1,068	201	–	–
Written-off	(14)	(4)	–	–
Reversal of allowance made in prior years	(15)	(48)	–	–
Foreign exchange adjustments	(20)	7	–	–
	2,627	1,608	79	79
<u>Other receivables:</u>				
Balance at beginning and end of the year	426	425	34	34
Provision for expected credit losses (Note 6)	699	–	–	–
Reversal of allowance made in prior years	(186)	–	–	–
Foreign exchange adjustments	(8)	1	–	–
	931	426	34	34

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore dollar	2,909	6,372	–	–

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is about 30 - 60 days (2018: 30 - 60 days). But some customers take a longer period to settle the amounts.

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Trade receivables:</u>				
Less than 30 days	416	1,166	–	–
31 to 60 days	228	329	–	–
61 to 90 days	177	937	–	–
Over 90 days	674	2,181	–	–
Total	1,495	4,613	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Collectively impaired		Individually impaired	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Trade receivables – nominal amounts	6,653	10,739	2,906	1,712
Less: Allowance for impairment	(80)	(77)	(2,547)	(1,531)
Total	<u>6,573</u>	<u>10,662</u>	<u>359</u>	<u>181</u>

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. OTHER ASSETS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deposits to secure services	406	524	–	–
Prepayments	670	1,395	105	2
Others	5	480	–	–
	<u>1,081</u>	<u>2,399</u>	<u>105</u>	<u>2</u>

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	<u>1,342</u>	<u>1,594</u>	<u>145</u>	<u>50</u>

Cash at banks earns interest at floating rates based on daily bank deposits rates, and is not restricted in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. CASH AND CASH EQUIVALENTS (CONT'D)

Cash at banks and on hand denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore dollar	388	975	–	–
United States dollar	11	11	–	–

21. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2019		2018	
	No. of shares issued \$'000	\$'000	No. of shares issued \$'000	\$'000
Issued and fully paid ordinary shares:				
At 1 January	35,951	15,322	35,951	15,322
At 31 December	35,951	15,322	35,951	15,322

(b) Treasury shares

	Group and Company			
	2019		2018	
	No. of shares issued \$'000	\$'000	No. of shares issued \$'000	\$'000
At 1 January	(1,077)	(388)	(1,077)	(388)
At 31 December	(1,077)	(388)	(1,077)	(388)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

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 financial 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.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash at banks and on hand. Adjusted capital comprises all components of equity (i.e. share capital and retained earnings).

	Group	
	2019	2018
	\$'000	\$'000
<hr/>		
<u>Net debt:</u>		
All current and non-current borrowings (Note 24)	7,036	8,359
Finance lease (Note 26)	–	177
Lease liabilities (Note 25)	625	–
Less: cash at banks and on hand (Note 20)	(1,342)	(1,594)
	<hr/>	<hr/>
	6,319	6,942
	<hr/>	<hr/>
<u>Adjusted capital:</u>		
Total equity attributable to Equity Holders	13,772	16,911
	<hr/>	<hr/>
Adjusted capital	13,772	16,911
	<hr/>	<hr/>
Debt-to-adjusted capital ratio	46%	41%
	<hr/>	<hr/>

22. RESERVES

	2019	2018
	\$'000	\$'000
<hr/>		
Foreign currency translation reserve	(715)	(488)
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. PROVISION

	Group	
	2019	2018
	\$'000	\$'000
<u>Provision for product warranty:</u>		
Balance at beginning of the year	19	16
Charged to profit or loss included in (other credits)/other charges	(3)	66
Used during the year	–	(63)
Exchange differences	(1)	–
	<hr/>	<hr/>
Balance at end of the year	15	19

Goods are sold with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first twelve months after installation. A warranty provision is made based on past experience and future expectations and an assessment of probability of an outflow for the warranty obligations as a whole. It is expected that most of these costs will be incurred within the next 12 months from the end of the financial year.

24. LOANS AND BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Current:</u>				
Fixed rate other loan (secured)	338	–	–	–
Fixed rate other loans (unsecured)	–	1,000	–	–
Floating rate bank loan (unsecured)	1,290	1,247	–	–
Floating rate other loan (secured)	227	196	–	–
Trust receipts for purchase of inventories and invoice financing (secured)	3,142	3,614	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	4,997	6,057	–	–
<u>Non-current:</u>				
Floating rate other loan (secured)	2,039	2,302	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	2,039	2,302	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,036	8,359	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. LOANS AND BORROWINGS (CONT'D)

Loans and borrowings denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore dollar	5,276	6,271	–	–
Euro	78	524	–	–

The ranges of floating interest rates paid were as follows:

	2019 per annum	2018 per annum
Floating rate bank loan (unsecured)	6.50% to 6.70%	5.05% to 5.60%
Floating rate other loan (secured)	4.55% to 4.85%	3.80% to 4.55%
Trust receipts for purchase of inventories	4.73% to 6.75%	4.45% to 6.75%

(a) Fixed rate other loan (secured)

Loan from an individual

The loans of \$338,000 were provided among other matters for the following:

1. The term loans of \$193,000, \$97,000 and \$48,000 totaling to \$338,000 matures on 31 May 2020, 10 November 2020 and 24 December 2020 respectively.
2. Interest rate at 12% per annum.
3. Secured by equipment of a subsidiary of the Group. (Note 12)

(b) Fixed rate other loans (unsecured)

Other loans comprise of the following:

- (i) Loan from a finance company

There is no outstanding loan in 2019. In 2018, the loan amounted to \$300,000 was provided among other matters for the following:

1. Repayable in 12 months, which is due on 15 September 2019.
2. Interest rate at 12% per annum.
3. Personal guarantee from 1 director and 1 other key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. LOANS AND BORROWINGS (CONT'D)

(b) Fixed rate other loans (unsecured) (cont'd)

- (ii) Loan from a corporation

There is no outstanding loan in 2019.

In 2018, the loan amounted to \$700,000 was provided among other matters for the following:

1. Repayable in 12 months, which is due on 17 June 2019.
2. Interest rate at 1% per month.
3. Corporate guarantee from the Company
4. Personal guarantee from 1 director

(c) Floating rate bank loan (unsecured)

Revolving Term Loan

The revolving term loan amounted to \$1,290,000 (2018: \$1,247,000) was provided among other matters for the following:

1. Repayable by 6 equal instalments, which is due on 24 June 2020.
2. One of the Group's subsidiary maintains minimum tangible networth of \$6 million equivalent.
3. Corporate guarantee from the Company.

(d) Floating rate other loan (secured)

The other loan from a finance company amounted to \$2,266,000 (2018: \$2,498,000) was provided among other matters for the following:

1. Repayable by monthly installment and due on 26 February 2028.
2. Corporate guarantee from the Company.
3. Secured by a first mortgage over Group's leasehold property and improvements (Note 12).

(e) Trust receipts

The bank agreement for certain of credit facilities provide among other matters for the following:

1. Repayable within 150 days.
2. Corporate guarantee from the Company.
3. One of the Group's subsidiary maintains minimum tangible networth of \$6 million equivalent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. LEASES

The Group has lease contracts for equipment, land and leasehold property used in its operations. Land and leasehold property generally have lease terms between 10 and 16 years, while equipment has a lease term of 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	Leasehold Land \$'000	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
As at 1 January 2019	548	402	404	1,354
Depreciation expense	(33)	(27)	(57)	(117)
Foreign exchange	–	(12)	(3)	(15)
As at 31 December 2019	515	362	344	1,222

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Total \$'000
As at 1 January 2019	725
Accretion of interest	49
Payments	(167)
Exchange differences	18
As at 31 December 2019	625
Current	96
Non-current	529

The maturity analysis of lease liabilities are disclosed in Note 33(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. LEASES (CONT'D)

The following are the amounts recognised in profit or loss:

	2019 \$'000
Depreciation expense of right-of-use assets (Note 9)	117
Interest expense on lease liabilities	49
Expense relating to short-term leases (Note 9)	17
Expense relating to leases of low-value assets (Note 9)	2
Total amount recognised in profit or loss	185

The Group had total cash outflows for leases of \$167,000 in 2019 (2018: \$186,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 30(b).

26. FINANCE LEASES

	Minimum payments	Finance Charges	Present value
Group 2018			
Minimum lease payments payable:			
Due within one year	91	(6)	85
Due within 2 to 5 years	95	(3)	92
Total	186	(9)	177

As at 1 January 2019, the present value of minimum lease payments recognized previously under finance lease of \$177,000 were reclassified to lease liabilities. Refer to Note 25 for information on lease liabilities.

For the year ended 31 December 2018, the Group has finance leases for certain items of plant and equipment. The lease term is 3 to 5 years. The rate of interest for finance leases is about 1.8% to 1.9% per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance leases denominated in currency other than the functional currencies of respective entities at 31 December 2018 are as follows:

	2018	
	Group \$'000	Company \$'000
Singapore dollar	177	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Trade payables and accruals:</u>				
External parties	2,611	4,998	176	95
Accruals	1,511	1,382	142	51
Subtotal	4,122	6,380	318	146
<u>Other payables:</u>				
Due to an associate	345	344	–	–
Others	24	48	1,466	882
Subtotal	369	392	1,466	882
Total payables and accruals	4,491	6,772	1,784	1,028
<u>Add:</u>				
Loans and borrowings (Note 24)	7,036	8,359	–	–
Lease liabilities (Note 25)	625	–	–	–
Finance lease (Note 26)	–	177	–	–
Total financial liabilities carried at amortised cost	12,152	15,308	1,784	1,028

Trade payables and other payables:

These amounts are non-interest bearing and normally settled on 30-90 days' terms.

Amounts due to an associate:

Amounts due to an associate are unsecured, non-interest bearing and repayable on demand by cash.

Payables and accruals denominated in currency other than the functional currencies of respective entities at 31 December are as follows:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	1,655	2,840	–	–
Euro	118	190	–	–
Chinese Renminbi	22	48	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. OTHER LIABILITIES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deposits received from customers	252	88	–	–

These amounts are trade related, non-interest bearing and based on contractual terms as established with external parties.

29. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(a) Related parties

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 current related party balances are unsecured without fixed repayment terms and non-interest bearing unless stated otherwise.

Purchases were made at an arm's length basis in a manner similar to transactions with third parties.

Significant related party transactions:

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

	2019 \$'000	2018 \$'000
Sales to a related party	418	491
Rental income from a related party	90	90
Rental income from associate	122	124
Purchases of goods and services from related parties	1,870	958
Subcontractor costs paid to a related party	373	450

The above related parties refer to companies in which the substantial shareholder is a close relative of a director of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONT'D)

(b) Key management compensation

	Group	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	726	726
Central Provident Fund contributions	22	22
	748	748

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

	Group	
	2019	2018
	\$'000	\$'000
Remuneration of directors of the Company	506	506
Remuneration of other key management personnel	142	142
Fees to directors of the Company	100	100
	748	748

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

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

30. COMMITMENTS

(a) Capital commitments

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

	Group	
	2019	2018
	\$'000	\$'000
Commitments to purchase additional plant and equipment	307	887

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. COMMITMENTS (CONT'D)

(b) Lease commitments

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

	2019 \$'000	2018 \$'000
Not later than one year	10	55
Later than one year but not later than five years	–	220
Later than five years	–	647
	10	922

31. CONTINGENT LIABILITIES

	Group	
	2019 \$'000	2018 \$'000
Corporate guarantee given for a subsidiary's credit facilities	6,698	8,059

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for asset or liability that are not based on observable market on observable market data (unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

- (b) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

Cash and other equivalents (Note 20), Trade and other receivables (Note 18), Current other assets (Note 19), Provisions (Note 23), Loans and borrowings (Note 24), Lease liabilities (Note 25), Finance leases (Note 26), Payables and accruals (Note 27) and other liabilities (Note 28).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. Management has certain practices for the management of financial risks. The guidelines set up the short and long-term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. 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.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate may consider investing in shares or similar instruments.
6. When appropriate enter into derivatives or any other similar instruments solely for hedging purposes.

There has been no change to the exposures to risk; the objective, policies and processes for managing the risk and the methods used to measure the risk.

The financial controller monitors the procedures, and reports to the audit committee of the board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Credit risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; and the maximum amount the entity could have to pay if the guarantee is called on. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Concentration of trade receivables as at the end of the financial year:

	Group	
	2019 \$'000	2018 \$'000
Top 1 customer	414	1,942
Top 2 customers	792	2,598
Top 3 customers	1,137	3,215

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Credit risk (cont'd)

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2019 is determined by incorporating forward looking information such as forecast of economic conditions where the gross domestic product will improve over the next year, leading to a decreased number of defaults.

Information regarding loss allowance movement of trade and contract assets are disclosed in Note 18 and Note 4 respectively.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets:

	Singapore	Asia (excluding Singapore)	Total
Group 2019			
Contract assets	970	–	970
Trade receivables			
– Current	5,672	1,630	7,302
– Non-current	411	–	411
Less: Allowance for expected credit losses	(1,410)	(1,217)	(2,627)
Total	5,643	413	6,056
Group 2018			
Contract assets	1,289	–	1,289
Trade receivables			
– Current	9,743	2,094	11,837
Less: Allowance for expected credit losses	(555)	(1,053)	(1,608)
Total	10,477	1,041	11,518

As at 31 December 2019, the Group wrote off \$26,000 of trade receivables which are more than 90 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off. There are no receivables written off as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient level of cash at banks and on hand to meet its working capital requirements. The Group maintains a balance between continuity of funding and flexibility through the use of stand-by financial and credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and to mitigate the effects of fluctuations in cash flows.

Short-term funding may be obtained from short-term loans where necessary without incurring unacceptable losses or risking damage to the Group's reputation.

Analysis of financial instruments by remaining contractual maturities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Group			
2019			
Financial assets			
Trade and other receivables (Note 18)	6,993	308	7,301
Cash at banks and on hand (Note 20)	1,342	–	1,342
Total undiscounted financial assets	8,335	308	8,643
Financial liabilities			
Loans and borrowings	5,388	2,485	7,873
Lease liabilities	138	820	958
Payables and accruals (Note 27)	4,491	–	4,491
Total undiscounted financial liabilities	10,017	3,305	13,322
Total net undiscounted financial liabilities	(1,682)	(2,997)	(4,679)
2018			
Financial assets			
Trade and other receivables (Note 18)	12,914	52	12,966
Cash at banks and on hand (Note 20)	1,594	–	1,594
Total undiscounted financial assets	14,508	52	14,560
Financial liabilities			
Loans and borrowings	6,487	2,786	9,273
Finance leases (Note 26)	91	95	186
Payables and accruals (Note 27)	6,772	–	6,772
Total undiscounted financial liabilities	13,350	2,881	16,231
Total net undiscounted financial assets/ (financial liabilities)	1,158	(2,829)	(1,671)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
2019			
Financial assets			
Trade and other receivables (Note 18)	1,365	–	1,365
Cash at banks and on hand (Note 20)	145	–	145
Total undiscounted financial assets	1,510	–	1,510
Financial liabilities			
Payables and accruals (Note 27)	1,784	–	1,784
Total undiscounted financial liabilities	1,784	–	1,784
Total net undiscounted financial liabilities	(274)	–	(274)
2018			
Financial assets			
Trade and other receivables (Note 18)	1,124	–	1,124
Cash at banks and on hand (Note 20)	50	–	50
Total undiscounted financial assets	1,174	–	1,174
Financial liabilities			
Payables and accruals (Note 27)	1,028	–	1,028
Total undiscounted financial liabilities	1,028	–	1,028
Total net undiscounted financial assets	146	–	146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Liquidity risk (cont'd)

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

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
2019			
Bank guarantee in favour of a subsidiary	4,659	2,039	6,698
2018			
Bank guarantee in favour of a subsidiary	5,757	2,302	8,059

(c) Changes in liabilities arising from financing activities

	31 December 2018 \$'000	SFRS(I) 16 adjustment \$'000	1 January 2019 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Others \$'000	31 December 2019 \$'000
Current							
loans and borrowings	6,057	–	6,057	(1,227)	(96)	263	4,997
Current finance lease	85	(85)	–	–	–	–	–
Current lease liabilities	–	97	97	(118)	18	99	96
Non-current							
loans and borrowings	2,302	–	2,302	–	–	(263)	2,039
Non-current finance lease	92	(92)	–	–	–	–	–
Non-current lease liabilities	–	628	628	–	–	(99)	529
Total liabilities from financing activities	8,536	548	9,084	(1,345)	(78)	–	7,661

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(c) Changes in liabilities arising from financing activities (cont'd)

	1 January 2018 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Others \$'000	31 December 2018 \$'000
Current loans and borrowings	6,013	(343)	178	209	6,057
Current finance lease	100	(109)	4	90	85
Non-current loans and borrowings	2,511	–	–	(209)	2,302
Non-current finance lease	182	–	–	(90)	92
Total liabilities from financing activities	8,806	(452)	182	–	8,536

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the end of the reporting period, approximately 5% (2018: 14%) of the Group's borrowings are at fixed rates of interest.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Loans and borrowings:</u>				
Fixed rates	338	1,000	–	–
Floating rates	6,698	7,359	–	–
<u>Finance leases:</u>				
Fixed rates	–	177	–	–
Total at end of the year	7,036	8,536	–	–

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(d) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2018: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$67,000 (2018: \$74,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(e) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily USD. The foreign currencies in which these transactions are denominated are mainly SGD. The Group's trade receivable and trade payable balances at the end of the financial year have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in SGD.

The Company itself does not have significant exposure to the foreign currency risk. The non-functional currencies balances as at end of the financial year are not significant.

The Group has certain practices for the management of financial risks. The following guidelines are followed:

- All financial risk management activities are carried out and monitored by senior management staff.
- All financial risk management activities are carried out following good market practices.

Sensitivity analysis of foreign currency risk

The following table demonstrates the sensitivity to the Group's profit net of tax to a reasonably possible change in the SGD exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Group	
		Increase/(Decrease)	
		(Loss)/profit net of tax	
		2019	2018
		\$'000	\$'000
SGD/USD	– strengthened 2% (2018: 2%)	52	32
	– weakened 2% (2018: 2%)	(52)	(32)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL INFORMATION BY OPERATION SEGMENTS

(a) 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 SFRS(I) Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

The group mainly has two principal activities, one is supplying, designing, manufacturing, installing, commissioning and servicing of generators used mainly in commercial and industrial projects and housing projects, the other is supplying electricity to power grid.

Analysis by Business Segments

The group is organised into three business segments – Projects (supplying generators), Power plant (supplying electricity) and Others.

Analysis by Geographical Segments

The group is organised into three major geographical areas – Singapore, Asia (Malaysia, China and Hong Kong) and Rest of the world.

In presenting information on the basis of geographical segments, segment is based on the geographical location of assets (same as the location of the customers).

Segment revenue, expenses, assets and liabilities comprise amounts that are either directly attributable to, or can be allocated on a reasonable basis to a segment. Addition of non-current assets is the total cost incurred during the year to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations

(i) Segment information by business described above is presented below:

	Projects		Power plant		Others		Adjustment and elimination		Notes		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
External customers	10,270	14,165	527	1,081	230	234	–	–	–	–	11,027	15,480
Total revenue from contracts with customers	10,270	14,165	527	1,081	230	234	–	–	–	–	11,027	15,480
Results:												
Interest income	351	389	–	–	–	–	(144)	(153)	–	–	207	236
Finance costs	(485)	(549)	(16)	–	–	–	–	–	–	–	(499)	(549)
Depreciation	(354)	(317)	(340)	(329)	–	–	–	–	–	–	(694)	(646)
Share of results of an associate	–	–	(176)	(60)	–	–	–	–	–	–	(176)	(60)
Segment (loss)/profit before tax	(2,184)	868	(515)	139	(101)	(90)	(144)	(153)	–	–	(2,800)	764
Addition of non-current assets	363	705	923	2	–	–	–	–	–	–	1,286	707
Non-current assets	1,892	2,452	4,154	3,692	293	293	2,821	2,829	–	–	9,160	9,266
Segment assets	41,164	48,617	6,911	9,287	15,773	15,472	(35,847)	(39,305)	–	–	28,001	34,071
Segment liabilities	29,235	36,427	4,655	4,876	621	186	(21,973)	(26,022)	–	–	12,538	15,467

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations (cont'd)

(ii) Segment information of these geographical areas described above is presented below:

	Singapore		Asia (excluding Singapore)		Rest of the world		Adjustment and elimination		Notes		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External customers	9,087	11,705	1,896	3,647	44	128	–	–			11,027	15,480
Inter-segment	5,344	7,350	–	–	–	–	(5,344)	(7,350)			–	–
Total revenue from contracts with customers	14,431	19,055	1,896	3,647	44	128	(5,344)	(7,350)	A		11,027	15,480
Results:												
Interest income	351	389	–	–	–	–	(144)	(153)			207	236
Finance costs	(483)	(549)	(16)	–	–	–	–	–			(499)	(549)
Depreciation	(354)	(317)	(340)	(329)	–	–	–	–			(694)	(646)
Share of results of an associate	–	–	(176)	(60)	–	–	–	–			(176)	(60)
Segment (loss)/profit before tax	(2,405)	694	(327)	321	(68)	(98)	(144)	(153)			(2,800)	764
Addition of non-current assets	360	702	926	5	–	–	–	–			1,286	707
Non-current assets	1,885	2,443	7,275	6,823	–	–	–	–	B		9,160	9,266
Segment assets	47,923	53,947	15,728	19,237	196	192	(35,846)	(39,305)	C		28,001	34,071
Segment liabilities	22,158	25,842	12,346	15,642	7	5	(21,973)	(26,022)	D		12,538	15,467

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL INFORMATION BY OPERATION SEGMENTS (CONT'D)

(b) Profit or loss from operations and reconciliations (cont'd)

Notes Nature of adjustment and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Non-current assets only include property, plant and equipment and investment property.

C Inter-segments assets are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet.

D Inter-segments liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet.

(c) Information about a major customer

Revenue from one major customer amounted to \$2,240,000, arising from sales of generators in Singapore (2018: \$1,391,149 in Singapore).

35. EVENTS AFTER THE REPORTING PERIOD

The Company completed the Rights cum Warrants Issue in January 2020 with 17,975,428 Rights Shares and 17,975,428 Warrants listed and quoted on the Official List of the SGX-ST, pursuant to the Rights cum Warrants Issue. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company. Please refer to the SGX-ST website for more details.

The Rights Shares are issued at \$0.10 each and the issuance of the Rights Shares does not give rise to a bonus element.

Following the allotment and issuance of the Rights Shares, the total number of issued Shares of the Company (excluding 1,076,800 treasury shares) has increased from 35,950,856 Shares to 53,926,284 Shares. Accordingly, the share capital of the Company has increased by approximately \$1.5 million, being the net proceeds raised from the Rights cum Warrants Issue.

On 30 January 2020, a subsidiary of the Group has filed a writ of summons in the High Court of Singapore against a debtor of the Group to recover loans and interests of approximately S\$1.7 million.

The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment and has impacted the Group's operations in China and Malaysia and its financial position subsequent to the financial year-end. The Group is cognizant of the challenges posed by these developing events and the potential impact they have on the power plant sector. The Group will continually assess the situation, work closely with the local authorities in China to support their efforts in containing the spread of COVID-19, and put in place measures to minimise impact to the business. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained.

STATISTICS OF SHAREHOLDINGS

AS AT 25 MARCH 2020

Issued and fully paid-up capital	:	\$17,472,447.862
Number of issued shares	:	55,003,084
Number of issued shares (excluding treasury shares)	:	53,926,284
Number / Percentage of Treasury Shares	:	1,076,800 (1.96%)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	94	7.82	1,846	0.00
100 – 1,000	495	41.18	195,959	0.36
1,001 – 10,000	351	29.20	1,696,839	3.15
10,001 – 1,000,000	249	20.72	17,975,904	33.34
1,000,001 AND ABOVE	13	1.08	34,055,736	63.15
TOTAL	1,202	100.00	53,926,284	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 25 March 2020, approximately 73.18% of the issued ordinary shares of the Company is held by the public and therefore, the Company is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	BENEDICT CHEN ONN MENG	12,000,180	22.25
2	UOB KAY HIAN PRIVATE LIMITED	2,910,750	5.40
3	LIM ENG TIONG	2,522,900	4.68
4	LIM SIM BENG	2,429,000	4.50
5	CHEN SIEW MENG	2,331,300	4.32
6	PHILLIP SECURITIES PTE LTD	2,037,756	3.78
7	OCBC SECURITIES PRIVATE LIMITED	1,673,708	3.10
8	CHUA KENG WOON	1,666,667	3.09
9	KANG BENG CHIANG	1,601,875	2.97
10	WONG ANNIE	1,424,600	2.64
11	CHNG BENG GUAN	1,200,000	2.23
12	LIM ENG KHENG	1,167,700	2.17
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,089,300	2.02
14	CHNG BENG HUA	865,880	1.61
15	FREDDIE FONG CHEE ENG	861,375	1.60
16	SOH CHOON LEONG	833,333	1.55
17	JENNY KANG	800,000	1.48
18	CHNG BENG HOCK	661,050	1.23
19	YAP HOCK BENG	483,000	0.90
20	HONG LEONG FINANCE NOMINEES PTE LTD	446,900	0.83
TOTAL		39,007,274	72.35

STATISTICS OF SHAREHOLDINGS

AS AT 25 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 25 March 2020

Name of Substantial Shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares	No. of shares	% of shares
Benedict Chen Onn Meng ⁽¹⁾	12,000,180	22.25	131,400	0.24

(1) Benedict Chen Onn Meng's deemed interest arises from shares held through his CPF investment account, UOB Kian Hian Private Limited.

STATISTICS OF WARRANTHOLDINGS

AS AT 25 MARCH 2020

Number of Warrants outstanding: 17,975,428

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warranholders	%	No. of Warrants	%
1 – 99	11	8.03	381	0.00
100 – 1,000	13	9.49	8,990	0.05
1,001 – 10,000	50	36.50	287,750	1.60
10,001 – 1,000,000	59	43.06	8,395,447	46.71
1,000,001 AND ABOVE	4	2.92	9,282,860	51.64
TOTAL	137	100.00	17,975,428	100.00

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1	BENEDICT CHEN ONN MENG	4,000,060	22.25
2	PHILLIP SECURITIES PTE LTD	1,998,800	11.12
3	OCBC SECURITIES PRIVATE LIMITED	1,695,900	9.43
4	CHEN SIEW MENG	1,588,100	8.83
5	LIM SIM BENG	1,000,000	5.56
6	UOB KAY HIAN PRIVATE LIMITED	944,250	5.25
7	CHNG BENG HUA	765,880	4.26
8	LIM ENG TIONG	700,000	3.89
9	ONG HWEE PING	602,700	3.35
10	WONG ANNIE	473,100	2.63
11	CHNG BENG HOCK	420,350	2.34
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	365,000	2.03
13	SIA LING SING	297,200	1.65
14	KOH BENG HONG MICHAEL	250,050	1.39
15	CHEONG KIT CHONG	220,000	1.22
16	YAP SENG TECK	180,000	1.00
17	WONG HAN YEOW	170,000	0.95
18	YAP HOCK BENG	161,100	0.90
19	CHIN TUCK WENG	150,000	0.83
20	GAN CHIN KIAN	146,800	0.82
TOTAL		16,129,290	89.70

STATISTICS OF WARRANTHOLDINGS

AS AT 25 MARCH 2020

Exercise Price	S\$0.10 for each New Share on the exercise of a Warrant, which price will be subject to adjustments under certain circumstances in accordance with the terms and conditions of the Warrants as set out in a Deed Poll.
Exercise Period	The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or Register of Warrantholders of the Company is/ are closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the Register of Members and/or Register of Warrantholders of the Company or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantholders may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll.
Warrant Agent	Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of the Company will be held at 38 Tuas Crescent Singapore 638725 on 11 May 2020 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Auditors' Report thereon. **Resolution 1**

2. To re-elect the following director retiring pursuant to the Company's Constitution: **Resolution 2**

Ms Toh Shih Hua (Article 104)

Ms Toh Shih Hua shall, upon re-election as Director of the Company, remain as Chairman of the Audit Committee, Chairman of the Nominating Committee and a member of Remuneration Committee. Ms Toh Shih Hua shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the Directors' fees of \$100,000 for the year ending 31 December 2020, payable half-yearly in arrears. **Resolution 3**

4. To re-appoint Ernst & Young LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

5. **Proposed share issue mandate** **Resolution 5**

"That pursuant to Section 161 of the Companies Act, Cap. 50. and the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

(a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

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

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier."

[See Explanatory Note (i)]

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

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

- (i) The proposed Resolution 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

BY ORDER OF THE BOARD

SIA HUAI PENG
Company Secretary
Singapore

Date : 15 April 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.
- b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
- c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the meeting.
- d) A proxy need not be a member of the Company.

PERSONAL DATA PRIVACY:

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

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information as set out in Appendix 7.4.1 to the SGX-ST Listing Manual relating to Toh Shih Hua, being the Director who is retiring in according with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Toh Shih Hua
Date of Appointment	28/04/2015
Date of last re-appointment (if applicable)	28/04/2017
Age	45
Country of principal Residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The NC has recommended and the Board has agreed for Ms. Toh Shih Hua to retire and seek re-election at the forthcoming AGM.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> Chairman, Audit and Nominating Committee Member, Remuneration Committee
Professional Qualifications	<ul style="list-style-type: none"> Bachelor of Accountancy from the Nanyang Technological University Chartered Accountant of Singapore
Working experience and occupation(s) during the past 10 years	<p>2004 – present : Founder and Director, Genesis Capital Pte. Ltd.</p> <p>2016 – present : Founder and Director, TNT Global Capital Pte Ltd</p>
Shareholding interest in the listed issuer and its subsidiaries	Nil
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	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Other Principal Commitments including Directorships

- Past (for the last 5 years)

Directorships

Nil

- Present

Directorships

Genesis Capital Pte Ltd
Capital Partners Investment Pte Ltd
TNT Global Capital Pte Ltd
Biolidics Limited

(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

(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

(c) Whether there is any unsatisfied judgment against him? 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

(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

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

- (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
- (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
- (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
- (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

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-

No

i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

(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

Any prior experience as a director of a listed Company?

Ms. Toh Shih Hua is currently a director of VibroPower Corporation Limited.

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. 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).

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VIBROPOWER CORPORATION LIMITED

Registration No. 200004436E

PROXY FORM**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We _____ NRIC/Passport No./Registration No. _____

of _____

being a member(s) of VibroPower Corporation Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2020 Annual General Meeting of the Company ("Annual General Meeting") to be held at 38 Tuas Crescent Singapore 638725 on 11 May 2020 at 9:30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specified directions as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Annual General Meeting and at any adjournment thereof.

No.	Resolutions	For**	Against**	Abstain**
1	Directors' Statement and Audited Accounts for the year ended 31 December 2019			
2	Re-election of Ms Toh Shih Hua as Director			
3	Approval of Directors' fees for the year ending 31 December 2020, payable half-yearly in arrears			
4	Re-appointment of Ernst & Young LLP as Auditors			
5	Proposed Share Issue Mandate			

Notes:

* Delete accordingly

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "X" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "X" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Signed this _____ day of _____ 2020

Total number of shares held

Signature or Common Seal of shareholder**IMPORTANT: PLEASE READ NOTES OVERLEAF**

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Tuas Avenue 16 Singapore 638929 not less than 48 hours before the time set for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
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 as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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 15 April 2020.

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VIBROPOWER CORPORATION LIMITED

11 Tuas Avenue 16

Singapore 638929

Company Registration No.: 200004436E

www.vibropower.com