



Acma Ltd

Annual Report 2019

CORPORATE INFORMATION

Directors

Quek Sim Pin
Executive Chairman

Low Seow Chye
Independent Director

Robert Low Mui Kiat
Independent Director

Tan Keng Lin
Independent Director

Victor Levin
Non-Executive Director

Audit and Risk Committee

Robert Low Mui Kiat (Chairman)
Low Seow Chye
Tan Keng Lin

Nominating Committee

Tan Keng Lin (Chairman)
Low Seow Chye
Robert Low Mui Kiat

Remuneration Committee

Low Seow Chye (Chairman)
Robert Low Mui Kiat
Tan Keng Lin

Employees' Share Option Scheme Committee

Low Seow Chye (Chairman)
Robert Low Mui Kiat
Tan Keng Lin

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd

Company Secretary

Keloth Raj Kumar

Registered Office

17 Jurong Port Road
Singapore 619092

Telephone No. 6268 7733

Facsimile No. 6268 3338

Company Registration No. : 196500233E

Independent Auditors

Mazars LLP
Public Accountants & Chartered Accountants
Partner in-charge: Chen Ningxin, Narissa
(From financial year ended 31 December 2018)

Solicitors

Colin Ng & Partners LLP

Principal Bankers

United Overseas Bank Limited
Malayan Banking Berhad

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of your directors, I present to you the Annual Report for the financial year ended 31st December 2019.

Revenue

For the financial year ended 2019 (FY2019), revenue decreased by S\$10.2 million (10.2%) from S\$100.0 million in FY2018 to S\$89.8 million. We had revenue decrease in the Group's tooling and plastic injection moulding operations (S\$15.4 million), communications, electronics and equipment distribution (S\$1.9 million), and metal printing and packaging services business (S\$0.7 million), offset by S\$7.8 million revenue contribution from the sale of soft commodities.

Costs and Expenses

(a) Raw Materials and Consumables Used (include Changes in Inventories)

For FY2019, raw materials and consumables used and changes in inventories of finished goods and work-in-progress decreased by S\$1.5 million (2.4%) from S\$61.8 million in FY2018 to S\$60.3 million. The 2.4% decrease in Raw materials and consumables used is less than the 10.2% decrease in Revenue and was due mainly to the change in sales mix as well as the variance in the percentage of raw materials and consumables used of the various business segments.

(b) Employee Benefits Expense

In FY2019, Employee benefits expense comprising of labour and staff costs, decreased by S\$0.7 million from S\$18.7 million in FY2018 to S\$18.0 million. The decrease was due mainly to the lower activity level in FY2019.

(c) Depreciation of Property, Plant and Equipment

Depreciation for FY2019 increased by S\$1.9 million (79.2%) from S\$2.4 million in FY2018 to S\$4.3 million. The increase was due mainly to the adoption during the year of SFRS(I) 16: Leases Accounting Standard pursuant to which the Group recorded a further S\$2.6 million depreciation in respect of Right of use assets.

(d) Other Operating Expenses

For the full year FY2019, Other operating expenses ("OOE") decreased by S\$3.0 million from S\$20.4 million in FY2018 to S\$17.4 million.

OOE in FY2019 included impairment on goodwill of S\$2.6 million in respect of one of the Group's tooling operations which had been adversely impacted by the US-China trade dispute and S\$0.3 million in respect of the Group's Vietnam-based Metal printing and packaging services operation. OOE of S\$20.4 million in FY2018 included S\$2.3 million of Other receivables and S\$0.8 million goodwill impairment.

Excluding the impairments noted aforesaid, OOE amounted to S\$14.5 million and S\$17.3 million for FY2019 and FY2018 respectively. The reduction in OOE in FY2019 compared to FY2018 was mainly as a consequence of the adoption of SFRS(I) 16: Leases accounting standard. Rental and leasing expenses previously included in OOE in FY2018 are, in respect of Right of use assets, expensed off as depreciation charge and interest expense in FY2019. Rental and leasing charges included in OOE in FY2018 amounted to S\$1.8 million respectively.

CHAIRMAN'S STATEMENT

Loss Before Income Tax

The Group incurred a Loss before income tax of S\$11.3 million (FY2018: S\$3.6 million loss).

Income Tax Expense

The Group's income tax expense amounted to S\$0.3 million (FY2018: S\$0.3 million). The tax relates to subsidiaries which had taxable profits during the year.

Loss For The Year

The Group recorded Loss for the year of S\$11.6 million (FY2018: S\$3.8 million loss). After accounting for share of non-controlling interests, loss attributed to the Owners of the Company amounted for S\$9.8 million (FY2018: S\$3.5 million loss).

Statement of Financial Position

- (a) Property, plant and equipment increased by S\$9.9 million from S\$11.5 million at 31 December 2018 to S\$21.4 million at 31 December 2019. The increase was due mainly to acquisition of property, plant and equipment of S\$3.1 million and the capitalization of S\$11.5 million right of use assets on initial adoption of SFRS(I) 16: Leases accounting standard, set-off by S\$4.3 million depreciation charge for the current year and S\$0.4 million for currency realignment.
- (b) Other investments reduced from S\$1.4 million at 31 December 2018 to Nil at 31 December 2019. The reduction was due mainly to the reclassification of assets to property, plant and equipment following the adoption of SFRS(I) 16: Lease accounting standard during the year.

- (c) Intangible assets reduced by S\$3.0 million from S\$3.1 million at 31 December 2018 to S\$0.1 million at 31 December 2019. The reduction is mainly due to a S\$2.9 million impairment of goodwill in respect of one of the Group's tool manufacturing subsidiaries and the Group's Vietnam-based metal printing and packaging services operation. The provision for the tool manufacturing subsidiary arose as a result of a poorer economic business outlook as a consequence of the US-China trade dispute.
- (d) Other assets reduced by S\$1.1 million from S\$1.3 million at 31 December 2018 to S\$0.2 million at 31 December 2019 due mainly to the reclassification of S\$1.0 million to property, plant and equipment following the adoption of SFRS(I) 16: Lease accounting standard during the year.
- (e) Trade and other receivables decreased by S\$3.8 million from S\$33.9 million at 31 December 2018 to S\$30.1 million at 31 December 2019. The decrease comprised mainly S\$5.3 million reduction in relation to the Group's tooling and plastic injection moulding business, set-off by \$1.4 million increase from the Metal printing and packaging services business (due mainly to increase in average credit period given to customers).
- (f) Cash and bank balances decreased S\$0.8 million from S\$6.9 million at 31 December 2018 to S\$6.1 million at 31 December 2019. Bank borrowings increased by S\$0.3 million from S\$14.1 million at 31 December 2018 to S\$14.4 million at 31 December 2019. Bank borrowings included bank overdrafts of S\$4.7 million at 31 December 2019 (31 December 2018: S\$3.8 million).

CHAIRMAN'S STATEMENT

- (g) Lease liabilities (current and non-current) increased by S\$8.8 million from S\$2.1 million at 31 December 2018 to S\$10.9 million at 31 December 2019. The increase was due mainly to the adoption of SFRS(I) 16: Leases accounting standard which resulted in the inclusion of additional lease liabilities of S\$9.0 million as at transition date, additional lease commitments of S\$2.6 million taken up during the year, set-off by lease repayments of S\$2.9 million made during the year.

Cash Flow and Working Capital

- (a) The Group had positive net working capital as at 31 December 2019 of S\$3.7 million (31 December 2018: S\$13.5 million). The decrease in net working capital was mainly due to the loss incurred in FY2019.
- (b) Cash and cash equivalents (net of bank overdrafts) decreased to S\$1.4 million at 31 December 2019 from S\$3.1 million at 31 December 2018. Bank overdrafts amounted to S\$4.7 million as at 31 December 2019 (31 December 2018: S\$3.8 million).

Prospects For 2020

The near term outlook is expected to remain challenging and we anticipate having to deal with continuing price pressures from customers, an increasingly competitive landscape as well as rising costs.

The imposition of US tariffs on imports from China have had an adverse impact on the Group's tooling operations, affecting order intake, the roll-out timeline for prospective projects as well as margins.

The COVID-19 global pandemic is widely expected to adversely impact global gross domestic product in 2020. The Group's operations have significant sales in Singapore, the People's Republic of China, Vietnam, Europe and North America and the COVID-19 situation is therefore expected to have an adverse impact on the Group's results in 2020. The extent of any adverse impact will however depend on how long the outbreak persists and for the affected countries to return to normalcy. As the situation is still evolving, the Group is unable at this juncture to provide a quantitative estimate of the potential impact of COVID-19 on the Group. The Group shall monitor closely the ongoing situation and will implement various measures to manage costs and mitigate the effects arising from the situation.

The Group continues to actively explore other business opportunities which may contribute to its earnings base and add shareholder value.

Acknowledgement

I would like to express my sincere thanks to our hardworking staff, our bankers, our customers and our shareholders for their continuing support.

QUEK SIM PIN

Executive Chairman
30 April 2020

BOARD OF DIRECTORS

Quek Sim Pin

Executive Chairman

Mr. Quek graduated with a Bachelor of Business Administration (Honours) Degree from the University of Singapore in 1971 and qualified as an Associate of the Chartered Institute of Insurers (London) in 1975. He founded the Lityan group in 1983 and has been the Executive Chairman of the Company since 1989 after the acquisition of the Lityan group by the Company. He is also on the board of directors of various companies in the Group.

Low Seow Chye

Independent Director

Mr. Low was appointed as independent, non-executive director on 12 July 1990. He was also appointed as Chairman of the Remuneration Committee and the Employees' Share Option Scheme Committee. He retired as a practicing accountant in 2015. Mr. Low is a member of the CPA Australia and a Chartered Accountant of Singapore. He is also an ordinary member of the Singapore Institute of Directors.

Victor Levin

Non-Executive Director

Mr. Victor Levin was appointed as non-independent, non-executive director on 29 October 2010. He is the Chairman and General Manager of OOO "Melina" Moscow and holds directorship in several companies. He is Executive Chairman of Neurotrend Pte Ltd in Singapore. He is a graduate of the Moscow Petroleum & Gas Industry Institute.

Robert Low Mui Kiat

Independent Director

Mr. Robert Low was appointed as independent, non-executive director on 11 December 2009. He was also appointed Chairman of the Audit and Risk Committee. Mr. Robert Low graduated from Curtin University, Perth, Western Australia in accounting and is a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He has more than 30 years of experience working in the Oil & Gas industry, having worked mainly with Exxon Mobil where his last position in 2005 was as Asia Pacific Facilities Manager. Since then, he has been working as a consultant in the Oil & Gas industry.

Tan Keng Lin

Independent Director

Mr. Tan was appointed as independent, non-executive director on 23 August 2012. He was also appointed Chairman of the Nominating Committee. Mr. Tan graduated with a Bachelor of Science degree from the University of Singapore. He had been a non-executive Director of Acma Ltd from 1995 to 2006. Over the last 30 years, he has been managing his family's trading businesses.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON 23RD JUNE 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

| Name of Director | ROBERT LOW MUI KIAT | |
|--|---|--|
| Date of Appointment | 11 December 2009 | |
| Date of last re-appointment (if applicable) | 25 April 2018 | |
| Age | 72 | |
| Country of principal residence | Malaysia | |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | | |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive Independent Director | |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Chairman of Audit & Risk Committee, and a Member of: - Nominating Committee, - Remuneration Committee, and - Employees' Share Option Scheme Committee. | |
| Professional qualifications | Chartered Accountant of Malaysian Institute of Accountants (MIA) | |
| Working experience and occupation(s) during the past 10 years | Consultant in the Oil & Gas industry | |
| Shareholding interest in the listed issuer and its subsidiaries | Not Applicable | |
| 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 | Not Applicable | |
| Conflict of interest (including any competing business) | Not Applicable | |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | |

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON 23RD JUNE 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

| Name of Director | ROBERT LOW MUI KIAT | |
|--|----------------------------|--|
| Other Principal Commitments¹ including Directorships | | |
| – Past (for the last 5 years) | | |
| – Present | Naftogaz Malaysian Sdn Bhd | |
| Information required | | |
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given. | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she 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/she was a director or an equivalent person or a key executive, at the time when he/she 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/ she 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/her? | No | |
| (d) Whether he/she 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/she is aware) for such purpose? | No | |

Note:

¹ “Principal Commitments” has the same meaning as defined in the Code.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON 23RD JUNE 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

| Name of Director | ROBERT LOW MUI KIAT | |
|--|---------------------|--|
| (e) Whether he/she 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/she is aware) for such breach? | No | |
| (f) Whether at any time during the last 10 years, judgment has been entered against him/her 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/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part? | No | |
| (g) Whether he/she 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/she 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/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity? | No | |

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON 23RD JUNE 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

| Name of Director | ROBERT LOW MUI KIAT | |
|---|---------------------|--|
| (j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | |
| (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 | No | |
| (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 | No | |
| (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, | No | |
| in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust? | | |
| (k) Whether he/she 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 | |

KEY MANAGEMENT

Rai Rajen

Chief Operating Officer

Mr. Rai is a fellow of the Association of Chartered Certified Accountants, United Kingdom. He has been with the Lityan group since 1984 and was the Finance Director of Acma Ltd. from 1989 to 1995. He is also on the board of directors of various companies in the Group.

Chou Kong Seng

Chief Financial Officer

Mr. Chou qualified as a Chartered Accountant in the United Kingdom and was a Certified Public Accountant of Singapore. He has been with the Group since 1994. He is on the board of directors of various companies in the Group. Prior to joining the Group, he was a senior manager with an international public accounting firm in Singapore.

Derek Thu Boon Leong

Managing Director, Injection Moulding Operations

Mr. Derek Thu is the Managing Director of our injection moulding operations which has plants in Xiamen. He is also responsible for the tool-making plant at Xiamen. He holds a Diploma in Electronics and Electrical Engineering. He worked for a Japanese multinational company before joining the Group in 1994 as a Quality Manager. He was subsequently promoted to run our plant in Xiamen as the General Manager. Having done well there, he was promoted in 2002 to run all our moulding operations.

Graham Wright

Managing Director, International Sales Tool-making Operations

Mr. Wright is in charge of our Marketing Offices in Germany and Spain which brings in the orders for plastic injection moulds for the automotive market in Europe. Mr. Wright holds a degree in Management (BSc Hons) from Manchester University and he has been working in this field for many years with international companies. He joined us in 2000.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Acma Ltd. (“**Acma**” or the “Company”) is committed to maintain a high standard of corporate governance to ensure greater transparency and to protect the interests of the Company’s shareholders (the “**Shareholders**”).

The Company has put in place various policies and practices that will safeguard the interests of Shareholders and enhance Shareholders’ value as part of its effort to maintain high standards of corporate governance. This report describes the corporate governance practices and procedures adopted by the Company with specific reference to the revised Code of Corporate Governance 2018 (the “**Code**”) prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). References to the principles of the Code are listed below. The Company has complied with the principles of the Code where appropriate.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“the 2018 Code”) and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019.

The Board is pleased to report on the compliance of the Company with the Code. Where there are deviations from the Code, appropriate explanations have been provided.

(I) BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

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

As at the date of this report, the Board comprises the following members:

| | |
|---------------------|--------------------------|
| Quek Sim Pin | (Executive Chairman) |
| Victor Levin | (Non-Executive Director) |
| Low Seow Chye | (Independent Director) |
| Robert Low Mui Kiat | (Independent Director) |
| Tan Keng Lin | (Independent Director) |

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced.

Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board has put in place a code of ethics and desired proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board’s responsibilities include:-

- providing entrepreneurial leadership, setting strategic direction and overall corporate policies of the Group including appropriate focus on value creation, innovation and sustainability;
- approval of major funding proposals, investments and divestment proposals, and ensuring that the necessary resources are in place for the Group to meet its strategic objectives;
- establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and internal controls in achieving an appropriate balance between risks and company performance;
- reviewing and where appropriate, constructively challenging Management’s performance;

CORPORATE GOVERNANCE REPORT

- encouraging an ethical corporate culture and ensuring that the Group's values, standards, policies and practices are consistent with the culture; and
- identifying key stakeholders, balancing the demands of the business with those of the key stakeholders and ensuring transparency and accountability to key stakeholders.

At least half of the Board is made up of independent directors who have the appropriate core competencies and diversity of experience to enable them to contribute effectively to the Group. All directors are expected, in the course of carrying out their duties under good code of conduct, to act in good faith, provide insights, ensure proper accountability and consider the interest of the Group.

While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act, Chapter 50 and the Singapore Financial Reporting Standards.

Board committees, namely the Audit and Risk Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Employees' Share Option Scheme Committee ("**EC**"), have been constituted to assist the Board in the discharge of specific responsibilities. These committees review or make recommendations to the Board on matters within their specific terms of reference. More information on them is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Directors are furnished regularly with information from Management about the Group as well as the relevant information relating to the business to be discussed at Board meetings. All directors have separate and independent access to the management team and Company Secretary, all Board and board committees' minutes and all approval and information papers. In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in writing for the Directors' approval together with supporting memoranda to enable the Directors to make informed decisions. The Board also has access to independent professional advice, where necessary, at the Company's expense.

Newly appointed directors are given an orientation on the Group's business strategies and operations, its corporate governance practices as well as information on their duties as a director under Singapore law. A formal letter outlining the duties and responsibilities of the Board will also be issued to each new director upon his initial appointment.

The Board has separate and independent access to the Company Secretary at all times. The Company Secretary attends Board and Committees' meetings and is responsible for ensuring that Board procedures are followed. The Board also has access to independent professional advice, where necessary, at the Company's expense.

Directors are provided by the Company with opportunities to develop and maintain their skills and knowledge and may also, at the Company's expense, attend any training course in connection with their duties as directors, if such participation or attendance is required. The directors are informed via electronic mail and briefed during Board meetings of new or revision in laws and regulations as well as changes to financial reporting standards which are relevant to the Group.

CORPORATE GOVERNANCE REPORT

Briefings and updates provided for directors in FY2019: -

- a) At Board and audit committee meetings, the external auditors and the Company Secretary briefed attendees on developments in financial reporting standards as well as new or revision in laws and regulations.
- b) The management updated the Board at each Board meeting on business and strategic developments of the various business segments of the Group.

The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- a) corporate strategy and business plans;
- b) announcement of quarterly, half year and full year results and annual report;
- c) declaration of interim dividends and proposal of final dividends;
- d) convening of shareholders' meeting;
- e) authorisation of major acquisition and disposal of companies and investments; and
- f) authorisation of major transactions.

Directors are also welcomed to request further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues from management. The CEO will make the necessary arrangements for the briefings, informal discussions or explanations required.

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.

The Board currently has five (5) members, comprising one (1) Executive Director and four (4) Non-Executive Directors, three of whom are independent. Information in respect of the directors is set out in the "Board of Directors" section of this Annual Report.

To facilitate effective management, certain functions have been delegated to various Board committees, namely the AC, NC, RC and EC. The Board members and Board Committee members are set out as below:

Table 1:

| Name of Director | Status | Board | Audit and Risk Committee | Nominating Committee | Remuneration Committee | Employees' Share Option Scheme Committee |
|----------------------|-----------------|----------|--------------------------|----------------------|------------------------|--|
| Executive | | | | | | |
| Quek Sim Pin | Non-independent | Chairman | | | | |
| Non-Executive | | | | | | |
| Low Seow Chye | Independent | Member | Member | Member | Chairman | Chairman |
| Robert Low Mui Kiat | Independent | Member | Chairman | Member | Member | Member |
| Tan Keng Lin | Independent | Member | Member | Chairman | Member | Member |
| Victor Levin | Non-independent | Member | | | | |

CORPORATE GOVERNANCE REPORT

The criterion for independence is based on the definition given in the Code. According to the Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the company.

The independent directors have no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

As more than half of the Board is independent, the requirement of the Code that at least half of the Board comprises Independent Directors where the Chairman and the chief executive officer is the same person, is satisfied.

The NC is charged with the responsibility of determining annually whether or not a director is independent. Each independent director is required to complete a confirmation of independence drawn up according to the guidelines stated in the Code. He is required to disclose to the Board any relationships or circumstances which are likely to affect, or could appear to affect, his judgment. Based on the annual review according to the guidelines stated in the Code, the NC is of the view that all independent directors are independent.

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention were given by the directors to the affairs of the Company during FY2019, notwithstanding that they hold directorships in other private companies and have other principal commitments, and will continue to do so in FY2020.

The NC is of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations, and the depth and breadth of knowledge, expertise and business experiences of the directors to govern and manage the Group's affairs.

The NC is satisfied that the Board has the appropriate mix of expertise and experience that as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. Each director has been appointed on the strength of his calibre, experience and expertise to contribute to the development of the Company. The NC is satisfied that the Board has substantial independent elements to ensure objective judgment is exercised on corporate affairs independently from Management. No individual or small group of individuals dominates the Board's decision making.

The Board has no dissenting view on the Chairman's Statement for the year in review.

CORPORATE GOVERNANCE REPORT

The details of board meetings held in FY2019 as well as the attendance of each board member at those meetings and meetings of various board committees are disclosed below:

| Name of Director | Board | Audit and Risk Committee | Nominating Committee | Remuneration Committee | Employees' Share Option Scheme Committee |
|---------------------------------|-------|--------------------------|----------------------|------------------------|--|
| Number of meetings held | 4 | 4 | 1 | 1 | (#) - |
| Executive Director | | | | | |
| Quek Sim Pin | 4 | - | 1* | 1* | - |
| Non-Independent Director | | | | | |
| Victor Levin | 1 | 1* | - | - | - |
| Non-Executive Directors | | | | | |
| Low Seow Chye | 4 | 4 | 1 | 1 | - |
| Robert Low Mui Kiat | 4 | 4 | 1 | 1 | - |
| Tan Keng Lin | 4 | 4 | 1 | 1 | - |

* Mr. Quek Sim Pin is not a member of the Nominating and Remuneration Committees, but was invited by the Committees to attend the Committee Meetings.

* Mr. Victor Levin is not a member of the Audit and Risk Committee, but was invited by the Committees to attend the Committee Meetings.

The EC did not meet as there were no share options proposed or granted during the year.

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.

Mr. Quek Sim Pin ("Mr. Quek"), the Executive Chairman, currently assumes the roles of both Chairman and Chief Executive Officer ("CEO") of the Company. As Chairman, Mr. Quek ensures that corporate information is adequately and timely disseminated to all directors to facilitate effective contribution of all directors. He promotes a culture of sound corporate governance as well as of openness and debate both within the Board and between the Board and management. He ensures that adequate time is allocated for discussion of all agenda items, in particular strategic issues, and bears responsibility for the workings of the Board.

As CEO, Mr. Quek bears full executive responsibility for the overall management of the Company's businesses including charting its corporate and strategic direction.

Taking into account the current corporate structure and the scope of the Company's operations, the roles of the Chairman and CEO are not separated. All major proposals and transactions are made in consultation with the Board which comprises independent and non-executive directors. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable power and influence.

CORPORATE GOVERNANCE REPORT

In accordance with Principle 2.2 of the Code, independent directors should make up a majority of the Board where the Chairman is not independent. As the Chairman and CEO of the company is the same person, independent directors made up at least half of the Board.

BOARD MEMBERSHIP

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

The Nominating Committee's terms of reference include making recommendations to the Board on all Board appointments. It comprises three non-executive directors, all of whom are independent directors.

The principal functions of the NC are as follows:

- review the size and composition of the Board to ensure that the Board has an appropriate balance of independent directors and ensuring an appropriate balance of expertise, skills, attributes and abilities among the directors;
- recommend to the Board the performance criteria and appraisal process to be used for the evaluation of individual directors as well as the effectiveness of the Board as a whole;
- review and assess on an annual basis whether or not a director is independent;
- review succession plans for directors and recommend all nominations for appointments to the Board;
- review and recommend to the Board for the re-nomination/re-election of Directors, having regard to each director's contribution and performance; and
- review and make recommendations to the Board on training and professional development programmes for Board members.

The NC comprises of three directors, the majority of whom, including the NC Chairman, are independent directors.

Pursuant to Article 93 of the Company's Constitution, one third of the Board are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting. The NC has established a formal and transparent process for the Company on the appointment of new directors and the re-nomination and re-election of directors at regular intervals. In determining the independence each director and evaluating the Board's performance, the NC considers a number of factors including those set out in the Code.

All directors are required to declare their board representations. The NC has reviewed and is satisfied that the directors of the Company have adequately carried out their duties as directors of the Company.

New directors are appointed by the Board after the NC has reviewed and recommended their appointment. The NC ensures new directors are aware of their duties and obligations. Such new directors are required to submit themselves for re-election at the next Company's Annual General Meeting following their appointment.

CORPORATE GOVERNANCE REPORT

The NC considers various sources in seeking suitable candidates for new directors, including search companies or recommendations from, among others, Directors, business associates and advisors. The NC evaluates short-listed candidates in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group, independence status and other present and past directorships. In the process of evaluation, the NC ensures that the candidates are made aware of their duties and obligations as well as the expectations and the level of commitment required, if elected/appointed as directors. The NC makes recommendations to the Board for approval.

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 delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's businesses and that each director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

As at 31 December 2019, two of the independent directors, Mr. Low Seow Chye and Mr. Robert Low Mui Kiat, have served the Board for more than nine years from their date of their first appointment. In subjecting the independence of both Mr. Low Seow Chye and Mr. Robert Low Mui Kiat to rigorous review, the NC and the Board have (with each of the two directors abstaining from discussions and deliberations about himself) placed more emphasis on whether each of them has demonstrated independent judgment, integrity, professionalism and objectivity in the discharge of his duties. The NC and the Board have noted that both Mr. Low Seow Chye and Mr. Robert Low Mui Kiat have not hesitated to express their own viewpoints as well as seeking clarifications from management on issues they deem necessary. After due consideration, the NC and the Board are of the view that both Mr. Low Seow Chye and Mr. Robert Low Mui Kiat remain independent because they have continued to demonstrate strong independence in character and objective judgment.

Mr Low Seow Chye and Mr Robert Low Mui Kiat, both independent directors, will retire by rotation at the forthcoming Annual General Meeting pursuant to Article 93 of the Company's Constitution. Mr Low Seow Chye has declined to offer himself for re-election. The NC has recommended the nomination for re-election of Mr. Robert Low Mui Kiat at the forthcoming Annual General Meeting. Mr Robert Low Mui Kiat has offered himself for re-election and the Board has accepted the recommendation of the NC.

The NC is satisfied that Mr Robert Low Mui Kiat who is retiring at the forthcoming AGM, is properly qualified for re-appointment by virtue of his skills, experience and contribution in terms of guidance and time devoted to Board affairs.

CORPORATE GOVERNANCE REPORT

The dates of initial appointment and last re-election of the Directors as well as their directorships in other listed companies are set out below:

| Name of Director | Date of Initial Appointment as Director in Acma Ltd | Date of Re-election as Director in Acma Ltd | Directorship in Other Listed Companies | |
|---------------------|---|---|--|------------------|
| | | | Present | Last Three Years |
| Quek Sim Pin | 6 December 1989 | 30 April 2019 | - | - |
| Victor Levin | 29 October 2010 | 25 April 2018 | - | - |
| Low Seow Chye | 12 July 1990 | 27 April 2017 | - | - |
| Robert Low Mui Kiat | 11 December 2009 | 25 April 2018 | - | - |
| Tan Keng Lin | 23 August 2012 | 30 April 2019 | - | - |

Key information in respect of the directors' academic and professional qualifications are set out in Page 5 of this Annual Report.

The NC has implemented an appraisal process that requires each director to assess the performance of the Board as a whole annually. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information and Board accountability. The performance criteria are not changed from year to year unless circumstances deem it necessary for any of the criteria to be changed. The findings of such evaluations were analysed and discussed with a view to identifying areas for improvement and implementing certain recommendations to further enhance the effectiveness of the Board. In its evaluation, the NC considers the expertise and experience of each Board member, their attendance, participation and contributions to the Board both inside and outside of Board meetings which can be in various forms, including Management's access to him for guidance or exchange of views outside the formal environment of the Board.

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

(II) 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 RC comprises three non-executive directors, all of whom are independent directors.

Its role is to review and advise the Board an appropriate and competitive framework of remuneration for the Board, key management personnel and the Group. In developing remuneration policies, the RC takes into account remuneration, employment conditions and all aspects of remuneration, including termination terms, within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors and key management staff.

CORPORATE GOVERNANCE REPORT

The RC's recommendations are submitted to the Board for endorsement. No director is involved in deciding his own remuneration.

The RC will ensure that remuneration packages for Directors and key management personnel are appropriate and comparable within the industry and to similar-sized companies so as to attract, retain and motivate them.

In setting remuneration packages, the RC considers all aspects of remuneration, including termination terms, as well as employment conditions in the same industry and in comparable companies, the performance of the Group and the individual employee and reviews of publicly-available information on compensation.

The RC has access to appropriate expert advice in the field of executive compensation outside the Company where required. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants (if any) will not affect the independence and objectivity of the remuneration consultants. The RC did not engage the services of remuneration consultants in FY2019.

LEVEL AND MIX OF REMUNERATION

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

Remuneration for key executives is based on corporate and individual performance as well as the overall performance of the Group. In FY2019, there were no executive directors or key management personnel who were contractually entitled to profit-sharing bonuses calculated as a percentage of profit from operations.

The Company does not currently use any contractual provisions to reclaim incentive components of remuneration from executive directors and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The RC will consider at the appropriate time instituting such contractual provisions to reclaim the incentive components of the remuneration of the executive directors and key management personnel paid in prior years in such exceptional circumstances.

In setting remuneration packages, the RC ensures that directors are adequately but not overly compensated to the extent that their independence may be compromised. Directors' fees are recommended by the Board to shareholders for approval at the Company's Annual General Meeting.

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 remuneration of the CEO and key management personnel is driven by a pay-for-performance philosophy and is made up of two key components: a fixed pay component and a non-contractual variable bonus component. The variable bonus component is determined based on the Group's and the individual's performance.

The CEO and key management personnel do not presently have any contractual entitlement to profit sharing bonuses calculated as a percentage of profit from operations.

CORPORATE GOVERNANCE REPORT

The Executive Chairman/CEO has a service contract which includes terms of termination under appropriate notice. The non-executive directors do not have service contracts with the Company. They are remunerated based on basic fees for serving on the Board and Board Committees as well as fees linked to attendance at meetings for non-executive directors. In addition, directors who are non-controlling shareholders are also entitled to participate in the Company's share option scheme. Share options are granted to better align the interests of such non-executive directors with the interests of shareholders. Directors' fees are recommended by the Board to shareholders for approval at the Company's Annual General Meeting.

Except for their fees and share options, directors are not contractually entitled to any termination, retirement and post-employment benefits. Key management personnel of the Company are also not contractually entitled to any termination, retirement and post-employment benefits.

The level and mixed of each Director's remuneration for FY2019 are set out below:

| | Fees & Salary | Bonus | Other benefits | Number of share options granted |
|---------------------------------|---------------|-------|----------------|---------------------------------|
| | % | % | % | |
| Remuneration Band: | | | | |
| S\$250,000 to S\$499,999 | | | | |
| Quek Sim Pin | 89 | 7 | 4 | - |
| Remuneration Band: | | | | |
| Below S\$250,000 | | | | |
| Low Seow Chye | 100 | - | - | - |
| Robert Low Mui Kiat | 100 | - | - | - |
| Tan Keng Lin | 100 | - | - | - |
| Victor Levin | 100 | - | - | - |

The aggregate remuneration payable to directors for FY2019 amounted to S\$518,000 including fees of S\$109,000.

The Company has disclosed the respective remunerations of the Directors individually (including the CEO) by names and within their respective remuneration bands (below S\$250,000 and S\$250,000 to S\$499,999) as well as the percentage composition in terms of Fees & Salary, Bonus and Other Benefits.

Remuneration of top 4 key management personnel (who are not Directors) for FY2019 are as set out below:

| | Number of employees |
|--------------------------|---------------------|
| S\$250,000 to S\$499,999 | 2 |
| Below S\$250,000 | 2 |

The aggregate remuneration paid to the top 4 key management personnel for FY2019 amounted to S\$1,015,000.

The remuneration of the top 4 key management personnel (who are not Directors) is also disclosed within the two remuneration bands (below S\$250,000 and S\$250,000 to S\$499,999) and not on a named basis as recommended by the Code as the Board is of the opinion that full disclosure of such information would not be in the interest of the Company.

CORPORATE GOVERNANCE REPORT

No employee of the Company and its subsidiaries was an immediate family member of a Director, CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in FY2019.

The Board is of the view that the information on Directors' and key management personnel's remuneration disclosed in the Annual Report would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice. The Board believes that the disclosure provided is in the best interest of the Company given the highly competitive business environment and allowing Directors and key management personnel to maintain some degree of personal confidentiality on remuneration matters.

Employees' Share Option Scheme Committee

The EC has been appointed by the Board to administer the Acma Employees' Share Option Scheme 2014.

The Company did not grant any options during the year. Further information relating to the Company's options are set out in the Directors' Statement and Note 21 to the Financial Statements.

(III) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for providing a balanced and understandable assessment of the Company's performance and position, when providing interim and other price sensitive public reports on a periodic basis, and reports to regulators (if required).

Management is accountable to the Board and presents annual budgets, business plans and quarterly management accounts of the Group to the AC and Board for review. For the interim quarterly unaudited financial statements, the Board provides a negative assurance confirmation to shareholders in line with Rule 705(5).

The Board also take steps to ensure compliance with the law and other regulatory requirements as follows:

- a) regular updates on changes on legislative and regulatory requirements including requirements under the listing rules of the SGX-ST;
- b) consultations with professional advisors as appropriate;
- c) seeking feedback from the external auditors on their observations during the conduct of the audit process; and
- d) ensuring disclosure obligations are fulfilled by obtaining feedback from professional advisors and completion of the relevant disclosure checklists.

The Board recognises the importance of a sound system of internal controls and risk management practices for good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management and for reviewing the adequacy and integrity of those systems on an annual basis.

Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

CORPORATE GOVERNANCE REPORT

On the matter of governance of risk, the Board has delegated this responsibility to the Audit Committee to oversee the Group's risk management framework and policies, and ensures Management maintains a sound risk management program and internal control measures.

The Group has put in place appropriate risk management policies and processes to evaluate the operating, investment and financial risks of the Group. In evaluating a new investment proposal or business opportunity, several factors will be considered before a decision is being taken. These factors, which are essentially designed to ensure that the rate of returns commensurate with the risk exposure taken, including but not limited to evaluation of the return on investment, the pay-back period, cash-flow generated from the operation, potential for growth and investment climate.

The main areas of financial risk faced by the Group are liquidity risk, credit risk and foreign currency risk. Further details of the financial risks and how the Group manages them are set out in Notes 35 and 37 to the Financial Statements.

The Board has received assurances from the CEO and the CFO in respect of FY2019 that: -

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are in place, adequate and effective.

The AC and the Board have considered the internal controls established and maintained by the Group, work performed by the external auditors in the course of their statutory audit (to the extent as required by them to form an audit opinion on the statutory financial statements), reviews performed by Management and various Board committees and the assurances received from the CEO and CFO. Based on the aforesaid, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls were adequate and effective to meet the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While the Board acknowledges its overall responsibility for the Group's systems of internal controls and risk management, it should be noted that such systems are designed to manage rather than to eliminate risks and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or misstatements, poor judgment in decision-making, human errors, losses, fraud, non-compliance with all relevant legislation or other irregularities.

AUDIT COMMITTEE

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

The AC comprises three non-executive directors, all of whom are independent directors. No former partner or director of the Company's existing auditor is a member of the AC.

The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibility properly, with the members bringing with them extensive managerial and financial expertise in their own professional capacities. At least two members, including the AC Chairman, have relevant accounting or related financial management expertise or experience to discharge the AC's responsibilities.

The AC assists the Board to maintain a high standard of corporate governance, particularly in the areas of effective financial reporting and the adequacy of internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

The responsibilities of AC include:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- review at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;
- review the assurance from the CEO and the CFO of the Group on the financial records and financial statements;
- make recommendations to the Board on the proposals to shareholders on (i) the appointment, re-appointment or removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- review the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;
- review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be raised, independently investigated and appropriately followed up on;
- ensure the Company publicly discloses, and clearly communicates to employees, the existence of its whistle-blowing policy and procedures for raising such concerns;
- review whistle blowing investigations within the Group and ensuring appropriate follow up action, if required;
- review any interested person transactions in respect of Interested Person Transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- review any potential conflicts of interest; and
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and which warrant for AC's attention.

The AC is authorised to investigate any matters within its terms of reference and to have full access to the co-operation of the management and external auditors, Mazars LLP, for it to discharge its duties. It has the full authority and discretion to invite any director or executive officer to attend its meetings.

The AC has met with the external auditors separately without the presence of management for the year under review. In addition, updates on changes in accounting standards and treatment are prepared by the external auditors and circulated to members of the AC periodically for information.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

The aggregate amounts of fees paid or payable to Mazars LLP, the external auditors of the Company, broken down into audit and non-audit services during FY2019 are as follows:

| | |
|----------------|--------------------|
| Audit fees | S\$ 230,000 |
| Non-audit fees | S\$ 16,600 |
| Total | <u>S\$ 246,600</u> |

The AC has considered the volume of the non-audit services provided by external auditors, Mazars LLP, to the Group during the financial year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, and that Rules 712 and 715 of the SGX-ST Listing Manual have been complied with.

CORPORATE GOVERNANCE REPORT

The AC has also considered and confirmed that Mazars LLP is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm. Accordingly the AC recommends to the Board their re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The Company has put in place "Whistle-Blowing" arrangements by which staff and third-parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective is to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action.

Certain subsidiaries and associated companies of the Company were audited by different auditors as disclosed in Notes to the Financial Statements in the Annual Report. However, management has made arrangements for the Company's auditors to review the audit files of all significant subsidiaries and associated companies, where applicable, and raise any issues of concern and report to the Board and the AC. The Board and AC have considered these arrangements pursuant to Rule 716 of SGX-ST Listing Manual and are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

The Board has deliberated and agreed that the size of the current business and operations of the Group does not warrant the Group having an in-house internal audit function or to appoint internal auditors. Currently, the accounting team from the corporate office conduct internal audit on significant companies and report directly to its audit committee if required.

As part of the annual statutory audit of the financial statements, the external auditors also report to the AC on any material weaknesses in the Group's internal controls and provide recommendation on other significant matters which have come to their attention during the course of the audit.

The Group reviews annually the requirements in relation to its needs in relation to an internal audit function and will consider outsourcing its internal audit function to a firm of professional accountants at an appropriate time. The hiring, removal, evaluation and compensation of the professional firm to which the internal audit function is to be outsourced, shall be at subject to the approval of the AC. The internal auditors will report directly to the AC and shall have unfettered access to all the Company's documents, records and personnel.

(IV) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

All shareholders are encouraged to attend the Annual General Meeting to ensure a greater level of shareholder participation. To facilitate participation by shareholders, the Constitution of the Company allows the shareholders to attend and vote at general meetings of the Company or by proxies. A shareholder is entitled to appoint not more than two proxies to attend, speak and vote, at general meetings in their absence. The proxy forms must be deposited with the Company not less than forty eight (48) hours before the time set for general meeting.

Voting in absentia via mail, email, fax or other methods is currently not allowed by the Company's Constitution due to the difficulty in authenticating the identity of the shareholders and the integrity of the information transmitted.

CORPORATE GOVERNANCE REPORT

Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied where appropriate by an explanation for the proposed resolution. As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided for the time being, not to implement voting in absentia by mail, facsimile or email.

All shareholders of the Company receive the Annual Report (either through online access at the Company's website or alternatively by written request for printed copy), circulars and notices of general meetings. The notices are also advertised in newspapers and via announcement on SGXNET. At general meetings, shareholders are given the opportunity to communicate their views and ask Directors and Management questions. The Board and management are present at general meetings to address questions and views expressed by shareholders. The external auditors are also present at the Annual General Meeting to address shareholders' queries about the conduct of audit and the content of the auditors' report. All directors attended the last AGM held on 30th April 2019. There were no other general meetings of shareholders since then.

Voting of all of its resolutions in general meetings are conducted by poll and the detailed voting results, including the total number of votes cast for and against each resolution tabled, are announced at the general meeting and via SGX-ST's website.

The Company Secretary prepares minutes of general meetings which include substantial comments or queries from shareholders and responses from the Board and Management. These minutes are made available to shareholders upon written request. The Company shall be publishing on its corporate website (www.acmaltd.com) minutes of all general meetings of shareholders held from 2019 onwards.

Dividend Policy

The Company has not formally instituted a dividend policy. However pursuant to Rule 704(24) of the Singapore Exchange Listing Rules, in the event that the Board does not declare or recommend a dividend, the Company expressly discloses the reason for the decision together with the announcement of its financial results.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flow, the Group's working capital requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance of the Group.

The Board has not recommended any dividend for FY2019 as the Group has not been profitable for the year and has accumulated losses.

ENGAGEMENT WITH SHAREHOLDER

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.

Communication with shareholders forms part of the Group's corporate governance and commitment to transparent, comprehensive and prompt disclosure. The Company does not practice selective disclosure. Price sensitive information is always released via SGX-ST's website after trading hours or when there is a trading halt.

The Company uses a number of communication channels to account to shareholders for the performance of the Group and to provide updates on pertinent developments. These include the annual report, quarterly results and other announcements made through the SGX-NET, press releases, as well as the Annual General Meeting. The Company strives for timeliness and transparency in its disclosures to the shareholders and the public.

CORPORATE GOVERNANCE REPORT

All shareholders are encouraged to attend general meetings to ensure a greater level of shareholder participation. At general meetings, shareholders are given the opportunity to communicate their views and ask Directors and Management question on various matters affecting the Company.

(V) MANAGING STAKEHOLDER RELATIONSHIP

ENGAGEMENT WITH STAKEHOLDER

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 Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. Stakeholder relations are important to the sustainable growth of the Company's businesses and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders.

The Company continuously engages with various material stakeholder groups to understand their concerns with the view to taking appropriate measures to address them.

The Company maintains a current corporate website (<http://acmaltd.com>) to communicate and engage with stakeholders.

DEALING IN SECURITIES

Listing Manual-Rule 1207(19)

The Group has in place an internal code of conduct on dealings in securities based on SGX-ST Listing Manual Rule 1207(19), which prohibits the directors, key executives of the Group and their connected persons from dealing in the Company's shares during the "black-out" periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full year financial statements and ending on the date of the announcement of such results; and when they are in possession of price-sensitive and confidential information, in accordance to the laws of insider trading. They are also discouraged from dealing in the Company's securities on short-term considerations.

In addition, directors, key executives and their connected persons are required to observe the insider trading under the Securities and Futures Act at all times even when engaging in dealings in securities within the permitted periods. To enable the Company to monitor such transactions, directors of the Company are required to report to the Company Secretary whenever they deal in the Company's securities.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

Listing Manual-Mainboard Rule Chapter 9

To ensure compliance with SGX-ST Listing Manual Rule on interested person transactions, the Board meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board will ensure that the Company complies with the rules under Chapter 9 of the SGX-ST Listing Manual.

The AC will also meet quarterly to review whether the Company will be entering into any interested person transaction, and if so, the AC will ensure that the Company complies with the rules under Chapter 9 of the SGX-ST Listing Manual.

When a potential conflict of interest arises, the director concerned does not participate in discussions, make decision and refrain from exercising any influence over the other members of the Board.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

There were no interested person transactions conducted in FY2019 which exceeds S\$100,000 in value.

MATERIAL CONTRACTS AND LOANS

Listing Manual-Rule 1207(8)

Pursuant to Listing Manual Rule 1207(8), the Company confirmed that except as disclosed in the Directors' Statement and Financial Statements of this Annual Report, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of any Director or controlling shareholder of the Company, either still subsisting at the end of FY2019 or if not then subsisting, which were entered into since the end of the previous financial year.

SUSTAINABILITY REPORTING

The Board is mindful of its responsibility to ensure sustainability of the Group's business and have always considered sustainability issues in its formulation of the Group's business strategies. It has identified the material environmental, social and governance factors to the Group and will continue to oversee the management and governance of these factors.

In accordance with Practice Note 7.6 of the Sustainability Reporting Guide issued by the Singapore Exchange Securities Trading Ltd, the next sustainability report of the Group will be made available by 8 June 2020.

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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2019.

1. Opinion of directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position 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 of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended in accordance with the provisions of the Singapore Companies Act Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) 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:

| | |
|---------------------|------------------------|
| Quek Sim Pin | Executive Chairman |
| Low Seow Chye | Independent Director |
| Robert Low Mui Kiat | Independent Director |
| Tan Keng Lin | Independent Director |
| Victor Levin | Non-Executive Director |

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 were, or one of whose objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 5 below.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations (other than wholly-owned subsidiaries), as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as disclosed below:

| Name of directors and respective company in which interest are held | Direct interests | | Deemed interests | |
|---|------------------|---------------|------------------|---------------|
| | At 1/1/2019 | At 31/12/2019 | At 1/1/2019 | At 31/12/2019 |
| | Acma Ltd. | | | |
| No. of ordinary shares | | | | |
| Quek Sim Pin | 5,844,896 | 5,844,896 | 1,396,337 | 1,396,337 |
| Victor Levin | 2,682,673 | 2,682,673 | 4,554,455 | 4,554,455 |
| Low Seow Chye | 10,000 | 10,000 | – | – |
| Robert Low Mui Kiat | – | – | 1,450 | 1,450 |

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures (Continued)

| <u>Acma Ltd.</u> | <u>Options to subscribe for ordinary shares</u> | | |
|---------------------|---|----------------------|-----------------------|
| | <u>At 1/1/2019</u> | <u>At 31/12/2019</u> | <u>Exercise price</u> |
| | | | <u>S\$</u> |
| Low Seow Chye | 80,000 | 80,000 | 0.35 |
| Robert Low Mui Kiat | 80,000 | 80,000 | 0.35 |
| Tan Keng Lin | 80,000 | 80,000 | 0.35 |

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2020.

5. Share options

On 28 November 2016 (the "Date of Grant"), a new tranche of share options were granted to the management and confirmed employees under the Acma Employees' Share Option Scheme 2014 ("Scheme 2014"). Options were granted at the exercise price of S\$0.35 per share.

The Scheme 2014 is administered by the Employees' Share Option Scheme Committee which comprised members of the Remuneration Committee and made up of three Independent Directors.

The participants are entitled to exercise the options at any time after the first anniversary of the Date of Grant up to the fifth anniversary of the Date of Grant.

In all other cases, an option will be forfeited in the event of whichever is earlier:

- (i) The option is not exercised within 5 years from the Date of Grant; or
- (ii) The participant ceased to be an employee of the Company. However, the Scheme 2014 allow a participant to exercise an option (at the absolute discretion of the Employees' Share Option Scheme Committee) where he or she has ceased employment as a result of retirement, ill health, accident or death.

Details of the options to subscribe for ordinary shares of the Company pursuant to the Scheme is as follow:

| <u>Date of Grant</u> | <u>Expiry date</u> | <u>Exercise price</u> | <u>At</u> | <u>Issuance</u> | <u>Forfeited</u> | <u>At</u> |
|----------------------|--------------------|-----------------------|-----------------|-----------------|------------------|-------------------|
| | | <u>S\$</u> | <u>1/1/2019</u> | | | <u>31/12/2019</u> |
| Scheme 2014 | | | | | | |
| 28.11.2016 | 27.11.2021 | 0.35 | 1,933,000 | – | – | 1,933,000 |

Since the commencement of the Scheme 2014 till the end of the financial year:

- Save as disclosed above, no options have been granted to the other controlling shareholders of the Company and their subsidiaries and associates, and no other participant has received 5% or more of the total options available under the Scheme 2014;
- The options granted by the Company do not entitle the option holders, by virtue of such holding, to any rights to participate in any share issue of any other company in the Group; and
- No options have been granted at a discount.

There were no unissued shares of the Company or any company in the Group other than those referred to above.

DIRECTORS' STATEMENT

6. Audit and risk committee

The audit and risk committee of the Company comprises three members, all of whom are Independent Directors and at the date of this statement are:

Robert Low Mui Kiat (Chairman)
Tan Keng Lin
Low Seow Chye

The audit and risk committee has convened four meetings during the year with key management and the external auditors of the Company.

The audit and risk committee carried out its functions in accordance with Section 201B (5) of the Act. In performing those functions, the audit committee:

- reviewed the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- reviewed, at least annually, the adequacy and effectiveness of the Group's internal controls and risk management systems;
- reviewed the assurance from the CEO and the CFO of the Group on the financial records and financial statements;
- made recommendations to the Board on the proposals to shareholders on (i) the appointment, re-appointment or removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- reviewed the adequacy, effectiveness, independence, scope and results of the external audit;
- reviewed the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be raised, independently investigated and appropriately followed up on;
- ensured that the Company publicly discloses, and clearly communicates to employees, the existence of its whistle-blowing policy and procedures for raising such concerns;
- reviewed whistle blowing investigations within the Group and ensuring appropriate follow up action, if required;
- reviewed any interested person transactions in respect of Interested Person Transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX ST;
- reviewed any potential conflicts of interest; and
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and which warrant for the audit and risk committee's attention.

The audit and risk committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the audit committee.

The audit and risk committee has recommended the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

7. Independent auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Quek Sim Pin
Executive Chairman

Robert Low Mui Kiat
Independent Director

Singapore
30 April 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Acma Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 118.

In our opinion, the financial statements of the Group and the statements of financial position and 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)s") 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 of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial 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 Auditors' 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 of our opinion.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of Audit

For the audit of the current financial year's financial statements, we identified 6 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

Out of the 6 significant components, 4 were audited by component auditors under our instructions and the remaining 2 were audited by us. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Area of Focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatements, including areas which involve significant judgments and estimates to be made by directors.

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 year. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. 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.

| Matter | Audit response |
|---------------|-----------------------|
|---------------|-----------------------|

| | |
|---|--|
| Impairment of goodwill (refer to Note 3.2 and Note 15 to the financial statements) | |
|---|--|

As at 31 December 2019, the Group recorded goodwill of S\$Nil, net of impairment loss recognised during the financial year then ended of S\$2,912,000.

As disclosed in Note 15, in prior year, the Group allocated the goodwill to two cash-generating units ("CGU"), being AL&W Limited and Metal Printing and Packaging Ltd, of S\$2,643,000 and S\$269,000 respectively.

In determining the value-in-use of the applicable CGU to which goodwill is allocated to, management has estimated cash flow projections using key inputs and made assumptions as necessary. The key inputs and assumptions, as discussed in Note 15, include growth rates, pre-tax-discount rate, budgeted gross profit margins and terminal growth rate.

Given the sensitivity of the key inputs and assumptions to various factors, including their outlook of macro-economic environment and future market conditions, significant judgements and estimates have been applied by the management in determining the value-in-use. We hence consider the management's assessment of impairment of goodwill as a key audit matter.

Our audit procedures included, and were not limited to, the following:

- We reviewed the cash flow projections approved by the Board of Directors for arithmetic accuracy;
- With the help of our in-house expert, we assessed the reasonableness of the key inputs and assumptions applied by the management in their cash flow projections, in consideration of the historical and expected performance and trend of the CGU, the viability of the management's plans and the relevance and reasonableness of the management's market and industry outlook; and
- We reviewed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Key Audit Matters (Continued)

Matter

Audit response

Impairment of trade receivables (refer to Note 3.2, Note 18 and Note 35 to the financial statements)

As at 31 December 2019, the Group reported trade receivables with carrying amount of approximately S\$19,425,000, net of allowance for expected credit losses ("ECL") of approximately S\$1,019,000, representing 38.9% of the Group's current assets.

Consequent to the adoption of SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9"), the Group used an allowance matrix to estimate ECL for trade receivables. The ECL rates were based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that were assessed through an age analysis and by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.

As the determination of the ECL requires significant judgement of management and in consideration of the significance of trade receivables in the Group, we consider management's assessment and application of SFRS(I) 9 to the impairment of trade receivables as a key audit matter.

Our audit procedures included, and were not limited to, the following:

- We obtained an understanding of the Group's process in assessing and determining the loss rates used in their allowance matrix;
- We reviewed the appropriateness of the bases of the Group for determining the loss rates, with reference to also the historical payment trends of its customers in the past 3 financial years analysed by past due dates and the customers' geographical locations, adjusted for the Group's outlook of the macro-economic environment and conditions in which its customers operate in, and considered the subsequent receipts, where applicable;
- We assessed and tested the arithmetic accuracy of the allowance matrix;
- For long outstanding receivables, we performed background checks on the customers to assess whether the receivables could be credit impaired; and
- We reviewed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ACMA LTD.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 auditors' 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 entities incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chen Ningxin, Narissa.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
30 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | <u>2019</u> <u>S\$'000</u> | <u>2018</u> <u>S\$'000</u> |
|---|-------------|-------------------------------|-------------------------------|
| Revenue | 4 | 89,763 | 99,957 |
| Other income | 5 | 645 | 661 |
| Cost and expenses | | | |
| Raw materials and consumables used | 6 | (60,306) | (59,012) |
| Changes in inventories of finished goods and work-in-progress | | (4) | (2,769) |
| Employee benefits expense | | (17,952) | (18,671) |
| Finance costs | 7 | (1,676) | (914) |
| Depreciation of property, plant and equipment | | (4,338) | (2,417) |
| Other operating expenses | | (17,383) | (20,390) |
| Total costs and expenses | | <u>(101,659)</u> | <u>(104,173)</u> |
| Loss before income tax | 8 | (11,251) | (3,555) |
| Income tax expense | 9 | (332) | (289) |
| LOSS FOR THE YEAR | | <u>(11,583)</u> | <u>(3,844)</u> |
| Other comprehensive loss: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange difference on translating foreign operations | | <u>(726)</u> | <u>(748)</u> |
| Other comprehensive loss for the year | | <u>(726)</u> | <u>(748)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | <u>(12,309)</u> | <u>(4,592)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | (9,750) | (3,533) |
| Non-controlling interests | | (1,833) | (311) |
| | | <u>(11,583)</u> | <u>(3,844)</u> |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (10,476) | (4,281) |
| Non-controlling interests | | (1,833) | (311) |
| | | <u>(12,309)</u> | <u>(4,592)</u> |
| Loss per share attributable to owners of the Company (cents per share) | | | |
| Basic loss per share | 10 | (23.00) | (8.33) |
| Diluted loss per share | 10 | (23.00) | (8.33) |

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2019 S\$'000 | 2018 S\$'000 | 2019 S\$'000 | 2018 S\$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 21,380 | 11,537 | 2,131 | 282 |
| Investments in subsidiaries | 12 | – | – | 20,309 | 20,174 |
| Investments in associates | 13 | – | – | – | – |
| Other investments | 14 | – | 1,429 | – | – |
| Intangible assets | 15 | 100 | 3,063 | – | – |
| Other assets | 16 | 238 | 1,307 | – | 885 |
| Total non-current assets | | 21,718 | 17,336 | 22,440 | 21,341 |
| Current assets | | | | | |
| Inventories | 17 | 13,735 | 17,124 | – | – |
| Trade and other receivables | 18 | 30,081 | 33,882 | 44 | 66 |
| Amounts owing by subsidiaries | 19 | – | – | 24,725 | 24,836 |
| Amounts owing by associates | 13 | – | – | – | – |
| Cash and bank balances | 20 | 6,147 | 6,887 | 39 | 41 |
| Total current assets | | 49,963 | 57,893 | 24,808 | 24,943 |
| Total assets | | 71,681 | 75,229 | 47,248 | 46,284 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 21 | 195,039 | 195,039 | 195,039 | 195,039 |
| Capital reserve | 22 | 3,732 | 3,732 | – | – |
| Share options reserve | 23 | 88 | 88 | 88 | 88 |
| Accumulated losses | | (185,795) | (176,045) | (175,693) | (173,565) |
| Foreign currency translation reserve | 24 | 1,303 | 2,029 | – | – |
| Equity attributable to owners of the parent | | 14,367 | 24,843 | 19,434 | 21,562 |
| Non-controlling interests | | 2,111 | 4,049 | – | – |
| Total equity | | 16,478 | 28,892 | 19,434 | 21,562 |
| Non-current liabilities | | | | | |
| Lease liabilities | 25 | 8,430 | 1,481 | 1,022 | 130 |
| Provision | 26 | 119 | – | 119 | – |
| Deferred tax liabilities | 27 | 379 | 444 | – | – |
| Total non-current liabilities | | 8,928 | 1,925 | 1,141 | 130 |
| Current liabilities | | | | | |
| Contract liabilities from contracts with customers | 28 | 5,466 | 6,027 | – | – |
| Lease liabilities | 25 | 2,456 | 616 | 139 | 23 |
| Bank borrowings | 29 | 14,428 | 14,124 | – | – |
| Trade and other payables | 30 | 23,636 | 23,385 | 795 | 858 |
| Amounts owing to subsidiaries | 19 | – | – | 25,739 | 23,711 |
| Derivative financial instrument | 31 | – | 1 | – | – |
| Income tax payables | | 289 | 259 | – | – |
| Total current liabilities | | 46,275 | 44,412 | 26,673 | 24,592 |
| Total liabilities | | 55,203 | 46,337 | 27,814 | 24,722 |
| Total equity and liabilities | | 71,681 | 75,229 | 47,248 | 46,284 |

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| Group | Attributable to owners of the Company | | | | | | | Total equity S\$'000 | |
|---|---------------------------------------|-------------------------------|--|-------------------------------|----------------------------------|--|------------------------------|-------------------------|---|
| | Share capital S\$'000 | Capital reserve S\$'000 | Share options reserve S\$'000 | General reserve S\$'000 | Accumulated losses S\$'000 | Foreign currency translation reserve S\$'000 | Total reserves S\$'000 | | Non- controlling interests S\$'000 |
| Balance at 1 January 2018 | 195,039 | 3,789 | 88 | 299 | (172,811) | 2,777 | 29,181 | 4,555 | 33,736 |
| Loss for the year | — | — | — | — | (3,533) | — | (3,533) | (311) | (3,844) |
| Other comprehensive loss: Foreign currency translation reserve | — | — | — | — | — | (748) | (748) | — | (748) |
| Total comprehensive loss for the year | — | — | — | — | (3,533) | (748) | (4,281) | (311) | (4,592) |
| Transfer of capital reserve to accumulated losses | — | (57) | — | — | — | — | (57) | — | (57) |
| Transfer of general reserve to accumulated losses | — | — | — | (299) | 299 | — | — | — | — |
| Dividends paid to a non-controlling shareholder by a subsidiary company | — | — | — | — | — | — | — | (195) | (195) |
| Balance at 31 December 2018 | 195,039 | 3,732 | 88 | — | (176,045) | 2,029 | 24,843 | 4,049 | 28,892 |
| Balance at 1 January 2019 | 195,039 | 3,732 | 88 | — | (176,045) | 2,029 | 24,843 | 4,049 | 28,892 |
| Loss for the year | — | — | — | — | (9,750) | — | (9,750) | (1,833) | (11,583) |
| Other comprehensive loss: Foreign currency translation reserve | — | — | — | — | — | (726) | (726) | — | (726) |
| Total comprehensive loss for the year | — | — | — | — | (9,750) | (726) | (10,476) | (1,833) | (12,309) |
| Dividends paid to a non-controlling shareholder by a subsidiary company | — | — | — | — | — | — | — | (105) | (105) |
| Balance at 31 December 2019 | 195,039 | 3,732 | 88 | — | (185,795) | 1,303 | 14,367 | 2,111 | 16,478 |

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

| Company | Share Capital S\$'000 | Share options reserve S\$'000 | General reserve S\$'000 | Accumulated losses S\$'000 | Total S\$'000 |
|---|-----------------------------|-------------------------------------|-------------------------------|----------------------------------|------------------|
| Balance at 1 January 2018 | 195,039 | 88 | 299 | (173,504) | 21,922 |
| Transfer of general reserve to accumulated losses | — | — | (299) | 299 | — |
| Loss and total comprehensive loss for the year | — | — | — | (360) | (360) |
| Balance at 31 December 2018 | 195,039 | 88 | — | (173,565) | 21,562 |
| Balance at 1 January 2019 | 195,039 | 88 | — | (173,565) | 21,562 |
| Loss and total comprehensive loss for the year | — | — | — | (2,128) | (2,128) |
| Balance at 31 December 2019 | 195,039 | 88 | — | (175,693) | 19,434 |

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | <u>2019</u> <u>S\$'000</u> | <u>2018</u> <u>S\$'000</u> |
|---|-------------|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | | |
| Loss before income tax | | (11,251) | (3,555) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 11 | 4,338 | 2,417 |
| Write-off of property, plant and equipment | | 19 | 20 |
| Unrealised foreign exchange differences | | (573) | (383) |
| Gain on disposal of property, plant and equipment | 5 | – | (26) |
| Trade payables written back | 5 | – | (3) |
| Interest income | 5 | (145) | (17) |
| Interest expense | 7 | 1,676 | 914 |
| Amortisation of long-term operating lease | 14 | – | 549 |
| Reversal of impairment loss of long-term operating lease | 14 | – | (361) |
| Impairment of goodwill | 15 | 2,912 | 800 |
| Amortisation of intangible assets | 15 | 51 | 51 |
| Amortisation of other assets | 16 | 287 | 500 |
| Allowance on impairment of inventory obsolescence | 17 | 98 | 22 |
| Write-back of impairment of inventory obsolescence | 17 | (44) | (15) |
| Write-off of other receivables | | – | 2,333 |
| Write-off of recoverable amount | | – | 300 |
| Loss allowance on financial assets, net | | 397 | 389 |
| Gain on fair value revaluation of derivative instruments | | (1) | (15) |
| Amortisation on provision for onerous contract | 26 | – | (401) |
| Total operating cash flows before movements in working capital | | <u>(2,236)</u> | <u>3,519</u> |
| <i>Changes in working capital</i> | | | |
| Trade and other receivables | | 3,404 | (6,380) |
| Inventories | | 3,341 | 1,543 |
| Contract liabilities from contracts with customers | | (561) | 3,100 |
| Trade and other payables | | <u>251</u> | <u>(2,250)</u> |
| Cash generated from/(used in) operations | | 4,199 | (468) |
| Income taxes paid | | <u>(367)</u> | <u>(324)</u> |
| Net cash flows generated from/(used in) operating activities | | <u>3,832</u> | <u>(792)</u> |
| INVESTING ACTIVITIES | | | |
| Interest received | | 145 | 17 |
| Purchase of property, plant and equipment ¹ | | (1,004) | (1,170) |
| Increase in long-term deposits and prepayment | | (107) | (307) |
| Proceeds from disposal of plant and equipment | | <u>–</u> | <u>101</u> |
| Net cash flows used in investing activities | | <u>(966)</u> | <u>(1,359)</u> |

¹ During the financial year, the Group acquired plant and equipment with an aggregate cost of S\$3,139,000 (2018: S\$1,607,000) of which S\$2,135,000 (2018: S\$437,000) was acquired by means of lease and S\$1,004,000 (2018: S\$1,170,000) by way of cash.

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

| | <u>Note</u> | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
|---|-------------|------------------------|------------------------|
| FINANCING ACTIVITIES | | | |
| Interest paid | | (1,082) | (914) |
| Proceeds from bank borrowings | | 28,520 | 23,439 |
| Repayment of bank borrowings | | (29,148) | (20,460) |
| Repayment of lease liabilities | | (2,601) | (666) |
| Dividends paid by a subsidiary to a non-controlling shareholder | | (105) | (195) |
| Net cash flows (used in)/generated from financing activities | | <u>(4,416)</u> | <u>1,204</u> |
| Net decrease in cash and cash equivalents | | (1,550) | (947) |
| Cash and cash equivalents at beginning of the financial year | | 3,122 | 4,166 |
| Effect of currency translation on cash and cash equivalents | | (141) | (97) |
| Cash and cash equivalents at end of the financial year | 20 | <u>1,431</u> | <u>3,122</u> |

Reconciliation of liabilities arising from financing activities

| | 1 January 2019 S\$'000 | Financing cash flows ² S\$'000 | Non-cash movements | | | 31 December 2019 S\$'000 |
|------------------------------|------------------------------|---|---|--------------------------------|-------------------|--------------------------------|
| | | | Purchase of property, plant and equipment S\$'000 | Interest expense S\$'000 | Others S\$'000 | |
| Liabilities | | | | | | |
| Bank borrowings ³ | 10,359 | (1,164) | – | 536 | (19) | 9,712 |
| Lease liabilities | 11,140 | (2,876) | 2,135 | 764 | (277) | 10,886 |

| | 1 January 2018 S\$'000 | Financing cash flows ² S\$'000 | Non-cash movements | | | 31 December 2018 S\$'000 |
|------------------------------|------------------------------|---|---|--------------------------------|-------------------|--------------------------------|
| | | | Purchase of property, plant and equipment S\$'000 | Interest expense S\$'000 | Others S\$'000 | |
| Liabilities | | | | | | |
| Bank borrowings ³ | 7,380 | 2,597 | – | 382 | – | 10,359 |
| Lease liabilities | 2,353 | (879) | 437 | 213 | (27) | 2,097 |

² Net of proceeds from interest bearing borrowings, repayment of interest bearing borrowings, interest paid and repayment of lease liabilities.

³ Amount presented excludes bank overdrafts.

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Acma Ltd. (the “Company”) (Registration Number: 196500233E) is incorporated and domiciled in Singapore with its principal place of business and registered office at 17 Jurong Port Road, Singapore 619092.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of Acma Ltd. and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 April 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) including related Interpretations of SFRS(I)s (“SFRS(I)s INT”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are presented in Singapore dollar (“S\$”) which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand (“S\$’000”), unless otherwise indicated.

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I)s INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. Other than SFRS(I) 16 *Leases* (“SFRS(I) 16”), the adoption of these new or revised SFRS(I)s and SFRS(I)s INT did not result in changes to the Group’s and Company’s accounting policies, and has no material effect on the current or prior year’s financial statement and is not expected to have a material effect on future periods. The effects of adopting SFRS(I) 16 is disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I)s INT issued but not yet effective

At the date of authorisation of these statements, the following SFRS(I)s and SFRS(I)s INT that are relevant to the Group were issued but not yet effective:

| SFRS (I) | Title | Effective date (annual periods beginning on or after) |
|--|---|--|
| SFRS(I) 1-1, SFRS(I) 1-8 | Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i> | 1 January 2020 |
| SFRS(I) 3 | Amendments to SFRS(I) 3: <i>Definition of a Business</i> | 1 January 2020 |
| SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 | Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: <i>Interest Rate Benchmark Reform</i> | 1 January 2020 |
| SFRS(I) 10, SFRS(I) 1-28 | Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | To be determined |
| Various | Amendments to References to the Conceptual Framework in SFRS(I) Standards | |
| | Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements | 1 January 2020 |

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from them through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

Business combinations from 1 January 2017

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the Group determines whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* ("SFRS(I) 3") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

Business combinations before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

The Group is principally in the business of tooling and plastic injection moulding, communications, electronics and equipment distribution and, metal packaging and metal printing services. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the good or service and that is allocated to that performance obligation. The good or service is transferred when or as the customer obtains control of the good or service. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Tooling

Revenue from the sale of tools is recognised at a point in time when control of the tools is transferred to the end customers (i.e. when the tools are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the tools have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of tools.

A contract modification could arise in course of providing tooling services, when there has been a change in the scope or price (or both) of a contract approved by the Group and its customer. The Group assesses any such modification and account for such modification as a separate contract when the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the Group's standalone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. In other situations, the Group shall assess and where applicable, account for the contract modification as if it was a termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the contract modification, or as if it was part of the existing contract if the remaining goods or services are not distinct, and therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification.

Plastic injection moulding

Revenue from the sale of moulded parts is recognised at a point in time when control of the moulded parts is transferred to the end customers (i.e. when the moulded parts are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the moulded parts have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of moulded parts.

Metal printing and packaging services

Revenue from metal printing and packaging services is recognised at a point in time when control of the goods is transferred to the end customers (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Maintenance of goods

Revenue from the provision of maintenance of goods is recognised upon the completion of the maintenance services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Equipment distribution

Revenue from equipment distribution is recognised at a point in time when control of the goods is transferred to the end customers (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Supply and installation of goods

Revenue from the provision of supply and installation of goods is recognised at a point in time when the supply and installation of goods, identified as one performance obligation, have been rendered to the customer. A corresponding receivable is recognised for consideration that is unconditional when only the passage of time is required before payment is due.

Rental income

Rental income is accounted for on a straight-line basis over the relevant lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefit costs

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 national pension schemes are recognised as an expense in the period in which the related service is performed.

The Group participates in the national pension schemes as defined by the laws of the People's Republic of China ("PRC"). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.7 Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.8 Equity-settled share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share options reserve are credited to share capital, when new ordinary shares are issued.

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.10 Dividends

Equity dividends are recognised as a liability when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders. A corresponding amount is recognised in equity.

2.11 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the dates of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Profit or loss items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment (Continued)

Subsequent expenditure relating to property, plant and equipment 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 entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|--------------------------------------|---|---------------|
| Leasehold buildings and improvements | - | 3 to 48 years |
| Furniture and equipment | - | 3 to 10 years |
| Motor vehicles | - | 3 to 20 years |
| Plant and machinery | - | 1 to 37 years |

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 25.

For the financial years before 1 January 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

The estimated useful lives and depreciation method are reviewed at each financial year end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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

2.13 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.13 Intangible assets (Continued)

Goodwill on acquisition (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary.

Customer relationships

Customer relationships which are acquired in business combinations are carried at fair values at the date of acquisition, and amortised on a straight-line basis over the period of the expected benefits. Customer relationships have estimated useful lives of 5 years.

2.14 Investments in associates

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not in control or of joint control of those policies, and generally accompanying a shareholding of 20% or more of the voting power.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate 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 associate identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under SFRS(I) 5 from the date on which the investee become an associate. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Investments in associates (Continued)

The Company has accounted for its investments in associates at cost in its separate financial statements.

2.15 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contract with Customers* (“SFRS(I) 15”) in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Financial assets held at FVTOCI (Continued)

At initial recognition, the Group may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the aforementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

Dividend income

Dividends from equity instruments are recognised in profit or loss only when the Group's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 35.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivable.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 or FRS 18 *Revenue* previously.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.19 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

The Group as a lessee from 1 January 2019

These accounting policies are applied on and after the initial application date of SFRS(I) 16 (i.e. 1 January 2019).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

Right-of-use assets are presented within "property, plant and equipment".

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

The Group as a lessee before 1 January 2019

At the lease commencement date, the Group assess and classify each lease as either a finance lease or operating lease.

Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.5).

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Where a contract contains more than one lease and/or non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

The Group as a lessor (Continued)

At the lease commencement date, the Group assess and classify each lease as either an operating lease or a finance lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Operating Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.20 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.21 Contingencies

A contingent liability is:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.21 Contingencies (Continued)

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.22 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Non-monetary government grant is recognised at nominal amount.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. Significant accounting estimates and judgements

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Impairment of financial assets

The Group follows the guidance of SFRS(I) 9 in assessing its financial assets for impairment. This assessment requires significant judgement. The Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

The Group also assesses whether there are reasonable expectations of recovering a financial asset in its entirety or a portion thereof, failing which the Group will write off the financial asset to reduce the gross carrying amount of the financial asset. In its assessment, the Group considers various factors, including the debtor's historical payment trends, the latter's financial ability and the existence of collateral.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Significant accounting estimates and judgements (Continued)

3.1 Critical judgements made in applying the Group's accounting policies (Continued)

Determination of functional currency

The Group translates foreign currency items into the respective functional currency of the Company and its subsidiaries. In determining the functional currency of the respective entity, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entity operates that mainly influences sales prices of goods and services and the currency of the country whose consideration factors include the currency competitive forces and regulations mainly determines the sales prices of its goods and services.

Revenue recognition from tooling

The Group recognised revenue from tooling when the performance obligation is satisfied upon the delivery of the end product per agreed terms and conditions. In determining the revenue recognition policy for such contracts entered into with its customers, the Group applied SFRS(I) 15, in consideration of a myriad of factors, including and are not limited to, its extent of control of the product as it satisfies the performance obligation and its enforceability of right to payment for performance completed to date.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each financial year to ascertain whether there is an indication of impairment, if such indications are found, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Management judgement is required in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the market value or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in estimating the market value of preparing the cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2019 were S\$21,380,000 (2018: S\$11,537,000) and S\$2,131,000 (2018: S\$282,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Significant accounting estimates and judgements (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Management estimates the useful lives of these property, plant and equipment to be within 1 to 48 years. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2019 were S\$21,380,000 (2018: S\$11,537,000) and S\$2,131,000 (2018: S\$282,000) respectively.

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 31 December 2019 was S\$289,000 (2018: S\$259,000). The carrying amounts of the Group's deferred tax liabilities as at 31 December 2019 was S\$379,000 (2018: S\$444,000).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2019 was S\$13,735,000 (2018: S\$17,124,000).

Impairment of investments in subsidiaries and associates

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired or that an impairment loss recognised in prior periods may no longer exist or may have decreased. Where applicable, the Company's and Group's determination of the recoverable value is based on the estimation of the value-in-use of the applicable assets as defined in SFRS(I) 1-36 *Impairment of Assets* by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amounts of investments in subsidiaries as at 31 December 2019 was S\$20,309,000 (2018: S\$20,174,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. Significant accounting estimates and judgements (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of goodwill

The Group tests goodwill for impairment at least on an annual basis. Determining whether goodwill is impaired includes an estimation of the recoverable amount of the cash-generating unit(s) ("CGU") to which goodwill has been allocated. Where applicable, the value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The value-in-use is most sensitive to key inputs and assumptions used in determining the cash-flow projections. The key inputs and assumptions are disclosed in Note 15. The Group has impaired the goodwill during the financial year of S\$2,912,000 (2018: S\$800,000). The carrying amount of goodwill as at 31 December 2019 was S\$Nil (2018: S\$2,912,000).

Measurement of ECL of trade receivables

The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (i.e. Singapore, PRC, Vietnam) and the growth rates of the major industries in which its customers operate. The Group adjusts, as necessary, the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 31 December 2019 is S\$1,019,000 (2018: S\$791,000) (Note 35).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Revenue

| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
|---------------------------------------|------------------------|------------------------|
| Revenue from contracts with customers | 89,728 | 99,922 |
| Rental income | 35 | 35 |
| | <u>89,763</u> | <u>99,957</u> |

All revenue from contracts with customers are recognised at a point in time.

The disaggregation of revenue from contracts with customers is as follows:

| Geographical markets ^(a) | Tooling and plastic injection moulding | | | | Communications, electronics and equipment distribution | | | | Metal printing and packaging services | | | | Total | | | |
|-------------------------------------|--|---------------|----------------------------|---------------|--|---------------|----------------------------------|--------------|---------------------------------------|------------|------------|------------|---------------------------------------|---------------|---------------|---------------|
| | Tooling | | Plastic injection moulding | | Equipment distribution | | Supply and installation of goods | | Maintenance of goods | | Others | | Metal printing and packaging services | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| PRC (including HK) | 13,666 | 21,256 | 11,245 | 9,444 | – | – | – | – | – | – | – | – | – | – | 24,911 | 30,700 |
| Singapore | 24 | 83 | 197 | 276 | 1,963 | 1,719 | 2,402 | 5,299 | 1,127 | 802 | 120 | – | – | 5,833 | 8,179 | |
| Europe (including UK) | 8,663 | 11,357 | 3,717 | 4,281 | – | – | – | – | – | – | – | – | – | – | 12,380 | 15,638 |
| Vietnam | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 13,584 |
| Rest of Asia | 841 | 428 | – | – | 9,716 | 9,203 | – | – | – | – | – | – | – | 7,824 | 18,381 | 9,631 |
| North America and others | 6,376 | 15,737 | 8,060 | 5,359 | – | – | – | – | – | – | – | – | – | – | 14,639 | 21,508 |
| Total | 29,570 | 48,861 | 23,219 | 19,360 | 11,679 | 10,922 | 2,402 | 5,299 | 1,127 | 802 | 323 | 412 | 13,584 | 14,266 | 89,728 | 99,922 |

(a) The disaggregation is based on the location of customers from which the revenue was generated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Revenue (Continued)

Transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations on 31 December and expected to be realised in the following financial years:

| | <u>Group</u> | |
|--------------------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Within one year | 12,355 | 19,605 |
| After one year and within five years | 2,334 | 1,419 |
| | 14,689 | 21,024 |

The Group has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations which are part of contracts that have an original expected duration of one year or less.

5. Other income

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Interest income | 145 | 17 |
| Secondary income from leased premises | 92 | 95 |
| Gain on disposal of property, plant and equipment | – | 26 |
| Government grants | 184 | 128 |
| Gain on disposal of scrap materials | 84 | 229 |
| Trade payables written back | – | 3 |
| Others | 140 | 163 |
| | 645 | 661 |

6. Raw materials and consumables used

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Raw materials and consumables used ¹ | 42,038 | 33,707 |
| Subcontracting of works | 18,268 | 25,305 |
| | 60,306 | 59,012 |

¹ Included in raw materials and consumables used is an amount of S\$7,724,000 in relation to commodity trading.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Finance costs

| | Group | |
|--|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| | S\$'000 | S\$'000 |
| Interest expense on bank overdrafts | 327 | 276 |
| Interest expense on trust receipts and bills payable | 536 | 382 |
| Interest expense on lease liabilities | 764 | 213 |
| Others | 49 | 43 |
| | <u>1,676</u> | <u>914</u> |

8. Loss before income tax

The following charges/(credit) were included in the determination of loss before income tax:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| | S\$'000 | S\$'000 |
| Foreign exchange loss, net ² | 188 | 79 |
| Directors' remuneration of the Company | | |
| - Short-term benefits ³ | 402 | 402 |
| - Employers' contribution to defined contribution plans ³ | 7 | 7 |
| - Directors' fees ³ | 109 | 136 |
| Employee benefits expenses (excluding Directors' remuneration) | | |
| - Salaries, wages, bonuses and other staff benefits ⁴ | 15,923 | 16,625 |
| - Employers' contribution to defined contribution plans ⁴ | 1,511 | 1,501 |
| Audit fees paid to auditors: | | |
| - Auditors of the Company ² | 230 | 230 |
| - Other auditors of subsidiaries ² | 88 | 89 |
| Non-audit fees paid to auditors: | | |
| - Auditors of the Company ² | 17 | 12 |
| - Other auditors of subsidiaries ² | 9 | 10 |
| Operating lease expenses ² | 202 | 1,832 |
| Amortisation of intangible assets ² | 51 | 51 |
| Amortisation on provision for onerous contract ² | - | (401) |
| Amortisation of long-term operating lease ² | - | 549 |
| Amortisation of other assets ² | 287 | 500 |
| Write-off of other receivables ² | - | 2,333 |
| Write-off of recoverable amount ² | - | 300 |
| Impairment of goodwill ² | 2,912 | 800 |
| Loss allowance on financial assets, net ² | 397 | 389 |
| Impairment losses | | |
| - Allowance on impairment of inventory obsolescence ² | 98 | 22 |
| - Write-back of impairment of inventory obsolescence ² | (44) | (15) |
| - Reversal of impairment loss of long-term operating lease ² | - | (361) |
| | <u>-</u> | <u>(361)</u> |

² Included in "Other operating expenses" in the Group's profit or loss.

³ Included in "Employee benefits expense" in the Group's profit or loss.

⁴ Included in "Employee benefits expense" are labour costs of approximately S\$5,981,000 (2018: S\$6,144,000) directly associated with the generation of revenue for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Income tax expense

| | Group | |
|---|----------------|----------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Current income tax: | | |
| - Current financial year | 360 | 291 |
| - Under provision in respect of prior years | 37 | 64 |
| Deferred income tax: | | |
| - Current financial year (Note 27) | (65) | (66) |
| | 332 | 289 |

Reconciliation of effective tax rate is as follows:

| | Group | |
|--|----------------|----------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Loss before income tax | (11,251) | (3,555) |
| Taxation at statutory rate of 17% | (1,913) | (604) |
| Tax effects of: | | |
| Income not subject to tax | (96) | (163) |
| Effect of expenses not deductible for tax purposes | 649 | 963 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 26 | (38) |
| Effect of tax concession | (9) | (22) |
| Deferred tax assets not recognised | 1,693 | 136 |
| Under provision in respect of prior years | 37 | 64 |
| Others | (55) | (47) |
| | 332 | 289 |

The Company is incorporated in Singapore and accordingly is subject to an income tax rate of 17% (2018: 17%). There were no changes in the enterprise income tax of the different applicable jurisdictions in the current year from the last year.

The Singapore Government's Budget 2020 announced that companies will receive a corporate income tax rebate of 25% (Year of Assessment 2019: 20%) net of all other tax set-off, subject to a cap of S\$15,000 per Year of Assessment 2020 (Year of Assessment 2019: S\$10,000).

Deferred tax assets of certain subsidiaries have not been recognised as it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The unrecognised deferred tax assets arise mainly from unutilised tax losses of S\$41,113,000 (2018: S\$31,154,000).

The tax losses are subjected to an agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

Pursuant to the PRC Enterprise Income Tax Law which was promulgated on 22 February 2008, dividends distributed by PRC entities for profits generated before 1 January 2008 are exempted from withholding tax. Dividends paid in respect of profits generated on or after 1 January 2008 from the Group's foreign invested PRC enterprises will be subjected to a withholding tax of 5%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Income tax expense (Continued)

Deferred tax has not been provided in respect of temporary differences in relation to the undistributed earnings of the subsidiaries as at 31 December 2019 and 2018 amounting to approximately S\$3.4 million and S\$7.9 million respectively, as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

10. Loss per share

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

| | <u>Group</u> | |
|--|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Loss for the financial year attributable to ordinary equity holders of the Company | <u>(9,750)</u> | <u>(3,533)</u> |

| | <u>Group</u> | |
|--|---|---|
| | <u>2019</u> No. of shares '000 | <u>2018</u> No. of shares '000 |
| Weighted average number of ordinary shares in issue at beginning and end of the financial year | <u>42,391</u> | <u>42,391</u> |

For the purpose of calculating the diluted loss per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options into ordinary shares, with the potential ordinary shares weighted for the period outstanding. The effects of the exercise of share options on the weighted average number of ordinary shares in issue are as follows:

| | <u>2019</u> No. of shares S\$'000 | <u>2018</u> No. of shares S\$'000 |
|--|--|--|
| Weighted average number of: | | |
| Ordinary shares used in the calculation of basic earnings per share | 42,391 | 42,391 |
| Potential ordinary shares issuable under: | | |
| - Share options | <u>1,838</u> | <u>1,976</u> |
| Weighted average number of ordinary shares in issue and potential ordinary shares assuming full conversion | <u>44,229</u> | <u>44,367</u> |

There were no potential dilutive ordinary shares of share options. Therefore, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the year ended 31 December 2019. Accordingly, the diluted loss per share for financial years ended 31 December 2019 and 2018 was the same as the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Property, plant and equipment

| Group | <u>Leasehold land</u> S\$'000 | <u>Leasehold buildings and improvements</u> S\$'000 | <u>Furniture and equipment</u> S\$'000 | <u>Motor vehicles</u> S\$'000 | <u>Plant and machinery</u> S\$'000 | <u>Total</u> S\$'000 |
|--|----------------------------------|--|---|----------------------------------|---------------------------------------|-------------------------|
| Cost | | | | | | |
| At 1 January 2018 | – | 8,567 | 6,537 | 1,134 | 36,281 | 52,519 |
| Additions | – | 183 | 151 | 297 | 976 | 1,607 |
| Disposals | – | – | – | (319) | – | (319) |
| Written-off | – | (706) | (285) | – | (882) | (1,873) |
| Currency realignment | – | (233) | (60) | (15) | (1,060) | (1,368) |
| At 31 December 2018 | – | 7,811 | 6,343 | 1,097 | 35,315 | 50,566 |
| Recognition of right-of-use assets on initial adoption of SFRS(I) 16 (Note 39) | 2,142 | 9,308 | 20 | – | – | 11,470 |
| Adjusted balance at 1 January 2019 | 2,142 | 17,119 | 6,363 | 1,097 | 35,315 | 62,036 |
| Additions | – | 2,012 | 85 | – | 1,042 | 3,139 |
| Written-off | – | – | (45) | (4) | (1,595) | (1,644) |
| Currency realignment | – | (361) | (56) | (6) | (750) | (1,173) |
| At 31 December 2019 | 2,142 | 18,770 | 6,347 | 1,087 | 34,012 | 62,358 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Property, plant and equipment (Continued)

| Group | Leasehold land S\$'000 | Leasehold buildings and improvements S\$'000 | Furniture and equipment S\$'000 | Motor vehicles S\$'000 | Plant and machinery S\$'000 | Total S\$'000 |
|---------------------------------|---------------------------|--|--|------------------------------|-----------------------------------|------------------|
| Accumulated depreciation | | | | | | |
| At 1 January 2018 | – | 5,055 | 5,793 | 734 | 28,176 | 39,758 |
| Depreciation | – | 386 | 339 | 143 | 1,549 | 2,417 |
| Disposals | – | – | – | (244) | – | (244) |
| Written-off | – | (706) | (287) | – | (860) | (1,853) |
| Currency realignment | – | (242) | (54) | (10) | (743) | (1,049) |
| At 31 December 2018 | – | 4,493 | 5,791 | 623 | 28,122 | 39,029 |
| Depreciation | 255 | 2,334 | 331 | 147 | 1,271 | 4,338 |
| Written-off | – | – | (42) | (4) | (1,579) | (1,625) |
| Currency realignment | – | (92) | (50) | (2) | (620) | (764) |
| At 31 December 2019 | 255 | 6,735 | 6,030 | 764 | 27,194 | 40,978 |
| Net carrying value | | | | | | |
| At 31 December 2019 | 1,887 | 12,035 | 317 | 323 | 6,818 | 21,380 |
| At 31 December 2018 | – | 3,318 | 552 | 474 | 7,193 | 11,537 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Property, plant and equipment (Continued)

| Company | Leasehold land S\$'000 | Leasehold improvements S\$'000 | Furniture and equipment S\$'000 | Motor vehicles S\$'000 | Plant and machinery S\$'000 | Total S\$'000 |
|--|------------------------------|--------------------------------------|--|------------------------------|-----------------------------------|------------------|
| Cost | | | | | | |
| At 1 January 2018 | – | 559 | 1,424 | 219 | 20 | 2,222 |
| Additions | – | – | 14 | 273 | – | 287 |
| Disposals | – | – | – | (216) | – | (216) |
| Written-off | – | – | – | (3) | – | (3) |
| At 31 December 2018 | – | 559 | 1,438 | 273 | 20 | 2,290 |
| Recognition of right-of-use assets on initial adoption of SFRS(I) 16 (Note 39) | 2,142 | – | – | – | – | 2,142 |
| Adjusted balance at 1 January 2019 | 2,142 | 559 | 1,438 | 273 | 20 | 4,432 |
| Additions | – | 29 | 1 | – | – | 30 |
| At 31 December 2019 | 2,142 | 588 | 1,439 | 273 | 20 | 4,462 |
| Accumulated depreciation | | | | | | |
| At 1 January 2018 | – | 554 | 1,391 | 219 | 20 | 2,184 |
| Charge for the year | – | 2 | 8 | 33 | (*) | 43 |
| Disposals | – | – | – | (216) | – | (216) |
| Written-off | – | – | – | (3) | – | (3) |
| At 31 December 2018 | – | 556 | 1,399 | 33 | 20 | 2,008 |
| Charge for the year | 255 | 4 | 9 | 55 | (*) | 323 |
| At 31 December 2019 | 255 | 560 | 1,408 | 88 | 20 | 2,331 |
| Net carrying value | | | | | | |
| At 31 December 2019 | 1,887 | 28 | 31 | 185 | (*) | 2,131 |
| At 31 December 2018 | – | 3 | 39 | 240 | (*) | 282 |

(*) denotes amount less than S\$1,000

Property, plant and equipment of the Group and Company includes right-of-use assets of S\$13,981,000 and S\$2,072,000 respectively which are presented together with the owned assets of the same class as the underlying assets. Details of the right-of-use assets are disclosed in Note 25(a).

At the reporting date, certain property, plant and equipment have been pledged for banking facilities as set out in Note 29 to the financial statements.

As of 31 December 2018, the net carrying value of property, plant and equipment acquired under finance lease arrangements for the Group is S\$3,255,000. These were pledged with financial institutions as at 31 December 2018 (Note 25(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Investments in subsidiaries

| | Company | |
|---|----------------------|----------------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Unquoted equity shares, at cost | 367,165 | 362,579 |
| Deemed investment arising from financial guarantees provided to banks on behalf of subsidiaries | 923 | 788 |
| | <u>368,088</u> | <u>363,367</u> |
| Less: Impairment loss | <u>(347,779)</u> | <u>(343,193)</u> |
| Carrying amount | <u><u>20,309</u></u> | <u><u>20,174</u></u> |

The Company issued financial guarantees to financial institutions for credit facilities obtained by its subsidiaries and recorded a deemed financial guarantee fee income in accordance with SFRS(I) 9. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiaries. The full amount of the guarantee fee is deemed to be the additional investment in subsidiaries.

Movements in the Company's provision of impairment losses for its investment in subsidiaries as at 31 December are as follows:

| | Company | |
|---------------------------|-----------------------|-----------------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| At 1 January | 343,193 | 343,193 |
| Additions during the year | 4,586 | – |
| At 31 December | <u><u>347,779</u></u> | <u><u>343,193</u></u> |

An assessment is made on whether there are indicators that the Company's investments are impaired. The estimate of the recoverable amount is determined based on value-in-use calculations and the key inputs and assumptions are disclosed in Note 15. Consequently, an impairment loss of S\$4,586,000 (2018: S\$Nil) was recognised for its investment in subsidiary arising from AL&W Limited.

Details of subsidiaries directly held by the Company and their cost of investment to the Company as at 31 December are as follows:

| | Company | |
|-----------------------------------|-----------------------|-----------------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Acma ICCL Pte Ltd | 13,039 | 13,039 |
| Acma Investments Pte Ltd | 108,920 | 108,920 |
| Acma Technologies Pte Ltd | 165,300 | 165,300 |
| Lityan Systems (S) Pte Ltd | 75,320 | 75,320 |
| AL&W Limited | 4,586 | – |
| | <u>367,165</u> | <u>362,579</u> |
| Deemed investment in subsidiaries | 923 | 788 |
| Carrying amount | <u><u>368,088</u></u> | <u><u>363,367</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Investments in subsidiaries (Continued)

(a) Details of subsidiaries held by the Company and its Subsidiaries at 31 December are as follows:

| Name of company | Principal activities | Country of incorporation | Percentage of effective equity held by the Group | |
|---|--|--------------------------|--|--------|
| | | | 2019 % | 2018 % |
| Held by the Company | | | | |
| * Acma ICCL Pte Ltd | Investment holding | Singapore | 100 | 100 |
| * Acma Investments Pte Ltd | Investment holding | Singapore | 100 | 100 |
| * Acma Technologies Pte Ltd | Investment holding | Singapore | 100 | 100 |
| * Lityan Systems (S) Pte Ltd | Sales, maintenance and rental of communication equipment, computer equipment, peripherals and other office and industrial equipment and supplies | Singapore | 100 | 100 |
| ** AL&W Limited ^{(1)(iv)} | Investment holding | Hong Kong | 70 | – |
| Held by Subsidiaries | | | | |
| * Acma Engineers Private Limited | Distributor of Hitachi air-conditioner packaged units and multi-split units | Singapore | 70 | 70 |
| Acma Strategic Holdings Limited ^(v) | Investment holding | Hong Kong | 90 | 90 |
| * Acot Holdings Pte Ltd | Investment holding and trading of tools and moulds | Singapore | 100 | 100 |
| ** Acot Plastics (Xiamen) Co., Ltd ⁽²⁾ | Manufacturing of tools, automotive moulds and plastic injection moulding | PRC | 100 | 100 |
| ** Acot Tooling (Xiamen) Co., Ltd ⁽²⁾ | Manufacturing of tools and automotive moulds | PRC | 100 | 100 |
| ** AL&W Limited ^{(1)(iv)} | Investment holding | Hong Kong | – | 70 |
| ** Dongguan Chuangying Lihua Mould Co., Ltd ⁽³⁾ | Manufacturing of moulds | PRC | 70 | 70 |
| * Global Tech Pte Ltd | Investment holding | Singapore | 100 | 100 |
| ** Metal Printing and Packaging, Ltd ⁽⁴⁾ | Manufacturing of metal packaging and metal printing services | Vietnam | 51 | 51 |
| * Ray Tech Acot Singapore Pte Ltd | Mould making and plastic injection parts | Singapore | 82.5 | 82.5 |
| ** Rinzai Limited ⁽⁵⁾ | Trading of telecommunications and networking equipment and investment holding | Hong Kong | 100 | 100 |
| ** Xenon Manufacturing Pte Ltd ⁽⁶⁾ | Investment holding | Singapore | 51 | 51 |
| ** Shanghai Acma Precision Plastics Co., Ltd ^{(7)(vi)} | Dormant | PRC | – | 100 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Investments in subsidiaries (Continued)

- Note:
- (i) Companies indicated with (*) are audited by Mazars LLP, Singapore.
 - (ii) Companies indicated with (**) are audited by other auditors
 - (1) Audited by BDO Limited, Hong Kong
 - (2) Audited by RSM (Xiamen), PRC (2018: Grant Thornton (Xiamen), PRC)
 - (3) Audited by Guangdong CCAT Certified Public Accountants Co., Ltd, PRC
 - (4) Audited by Mazars Vietnam (Ho Chi Minh City)
 - (5) Audited by S.Y. Yang & Company, Hong Kong
 - (6) Audited by CA Practice PAC, Singapore
 - (7) The subsidiary is exempted from audit
 - (iii) All active companies are operating in their respective country of incorporation.
 - (iv) During the financial year ended 31 December 2019, one of its subsidiaries, Acot Holdings Pte Ltd has sold its entire interest in one of its subsidiaries, AL&W Limited, to the Company at a consideration of S\$4,586,000 which was settled by way of offsetting of non-trade amounts owing to/from each other.
 - (v) This subsidiary is in the process of liquidation, and exempted for audit.
 - (vi) During the financial year ended 31 December 2019, the Group has disposed its entire interest in this subsidiary at S\$Nil consideration.

- (b) Included in the Group are subsidiaries which have non-controlling interests ("NCI") that are material to the Group:

| Subsidiaries | Proportion of ownership interest held by NCI | | Profit/(Loss) allocated to NCI during the financial year | | Accumulated NCI at the reporting date | | Dividends paid to NCI | |
|--|--|------|--|---------|---------------------------------------|---------|-----------------------|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | % | % | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Acma Engineers Private Limited | 30 | 30 | (46) | (4) | 1,056 | 1,197 | 105 | 195 |
| AL&W Limited | 30 | 30 | (151) | 81 | 269 | 421 | – | – |
| Xenon Manufacturing Pte Ltd and its subsidiary | 49 | 49 | (1,595) | (96) | (1,573) | 30 | – | – |

Summarised financial information (before inter-company eliminations) based on its SFRS(I)s financial statements is as follow:

| | Acma Engineers Private Limited | | AL&W Limited | | Xenon Manufacturing Pte Ltd and its subsidiary | |
|---|--------------------------------|---------|--------------|---------|--|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Assets | | | | | | |
| Non-current | 138 | 201 | 801 | 307 | 4,317 | 5,019 |
| Current | 10,687 | 8,466 | 4,036 | 8,317 | 6,854 | 7,482 |
| Liabilities | | | | | | |
| Non-current | 45 | 57 | 370 | – | 653 | 1,288 |
| Current | 7,259 | 4,620 | 3,572 | 7,221 | 13,729 | 11,152 |
| Net assets/(liabilities) | 3,521 | 3,990 | 895 | 1,403 | (3,211) | 61 |
| Revenue | 23,032 | 16,994 | 7,031 | 8,109 | 13,730 | 14,266 |
| Profit/(Loss) after income tax, representing total comprehensive income/(loss) | (153) | (13) | (502) | 270 | (3,256) | (196) |
| Net cash flows generated from/ (used in) operation | 159 | (303) | (380) | (74) | (1,582) | (1,521) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Investments in subsidiaries (Continued)

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except for cash and bank balances held in PRC of S\$4.1 million (2018: S\$3.1 million) which are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

13. Investments in associates

| | Group | | Company | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2019 S\$'000 | 2018 S\$'000 | 2019 S\$'000 | 2018 S\$'000 |
| Unquoted equity shares, at cost | | | | |
| At beginning of year | 65,052 | 65,072 | 65,052 | 65,072 |
| Deregistration of associate | – | (20) | – | (20) |
| Transfer of shares | (65,052) | – | (65,052) | – |
| At end of year | – | 65,052 | – | 65,052 |
| Share of accumulated post-acquisition results | | | | |
| At beginning of year | 164 | 164 | – | – |
| Written-off | (164) | – | – | – |
| At end of year | – | 164 | – | – |
| Impairment | | | | |
| At beginning of year | 65,216 | 65,236 | 65,052 | 65,072 |
| Deregistration of associate | – | (20) | – | (20) |
| Written-off | (65,216) | – | (65,052) | – |
| At end of year | – | 65,216 | – | 65,052 |
| Carrying amount | – | – | – | – |
| | | | | |
| | 2019 S\$'000 | 2018 S\$'000 | 2019 S\$'000 | 2018 S\$'000 |
| Amounts owing by associates | – | 257 | – | 128 |
| Less: Loss allowance | – | (257) | – | (128) |
| Carrying amount | – | – | – | – |

Amounts owing by associates are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Investments in associates (Continued)

The summarised financial information of the associates not adjusted for the Group's proportionate share; based on its SFRS(I)s financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

| | Neftech Pte. Ltd. 2018 S\$'000 |
|---|---|
| Assets and liabilities: | |
| Current assets | 5 |
| Total assets | 5 |
| Non-current liabilities | 325 |
| Current liabilities | 1,018 |
| Total liabilities | 1,343 |
| Net liabilities | (1,338) |
| Group's share of associates' net liabilities | (654) |
| Identifiable asset at acquisition | 34,160 |
| Goodwill on acquisition | 30,892 |
| Impairment loss | (65,052) |
| Carrying amount of the investment as at 31 December | – |
| Results | |
| Revenue | – |
| Profit for the year representing total comprehensive income | 639 |
| Group's share of associate's profit for the year | – |

The Group has not recognised losses relating to its associates where its share of losses exceeds the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses for the financial year ended 31 December 2018 is S\$1,529,000. The Group has no obligation in respect of these losses.

Details of the associate at 31 December is as follow:

| <u>Name of company</u> | <u>Principal activities</u> | <u>Country of incorporation</u> | <u>Percentage of effective equity held by the Group</u> | |
|--------------------------------|---|---------------------------------|---|------------------|
| | | | <u>2019</u> % | <u>2018</u> % |
| Held by the Company | | | | |
| Neftech Pte. Ltd. ⁵ | Development and commercialisation of its proprietary cavitation technology in fuel efficiency | Singapore | – | 48.9 |

⁵ During the financial year ended 31 December 2019, the Group has disposed its entire interest in this associate to a third party at S\$Nil consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Other investments

| | Group | |
|---|-------------------------------|-------------------------------|
| | 2019 S\$'000 | 2018 S\$'000 |
| Long-term operating lease, at cost | | |
| At 1 January | 17,517 | 17,230 |
| Reclassification to property, plant and equipment on initial adoption of SFRS(I) 16 | (17,517) | – |
| Written-off | – | (75) |
| Currency realignment | – | 362 |
| | <u>–</u> | <u>17,517</u> |
| At 31 December | – | 17,517 |
| Accumulated amortisation | | |
| At 1 January | 11,410 | 10,705 |
| Reclassification to property, plant and equipment on initial adoption of SFRS(I) 16 | (11,410) | – |
| Charge for the year | – | 549 |
| Written-off | – | (75) |
| Currency realignment | – | 231 |
| | <u>–</u> | <u>11,410</u> |
| At 31 December | – | 11,410 |
| Accumulated impairment | | |
| At 1 January | 4,678 | 4,938 |
| Reclassification to property, plant and equipment on initial adoption of SFRS(I) 16 | (4,678) | – |
| Reversal of impairment losses | – | (361) |
| Currency realignment | – | 101 |
| | <u>–</u> | <u>101</u> |
| At 31 December | – | 4,678 |
| Net carrying amount | <u>–</u> | <u>1,429</u> |

In 2018, the long-term operating lease is situated in Russia and falls in the “Investment” business segment (Note 34).

15. Intangible assets

| Group | Non- contractual customer relationships* S\$'000 | Goodwill S\$'000 | Total S\$'000 |
|---------------------|---|-----------------------------------|--------------------------------|
| Cost | | | |
| At 1 January 2018 | 253 | 3,712 | 3,965 |
| Impairment loss | – | (800) | (800) |
| | <u>253</u> | <u>2,912</u> | <u>3,165</u> |
| At 31 December 2018 | 253 | 2,912 | 3,165 |
| Impairment loss | – | (2,912) | (2,912) |
| | <u>253</u> | <u>–</u> | <u>253</u> |
| At 31 December 2019 | 253 | – | 253 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Intangible assets (Continued)

| Group | Non- contractual customer relationships* S\$'000 | Goodwill S\$'000 | Total S\$'000 |
|---------------------------------|--|---------------------|------------------|
| Accumulated amortisation | | | |
| At 1 January 2018 | 51 | – | 51 |
| Amortisation charge | 51 | – | 51 |
| At 31 December 2018 | 102 | – | 102 |
| Amortisation charge | 51 | – | 51 |
| At 31 December 2019 | 153 | – | 153 |
| Net carrying value | | | |
| As at 31 December 2019 | 100 | – | 100 |
| As at 31 December 2018 | 151 | 2,912 | 3,063 |

* Cost of non-contractual customer relationships acquired is attributable to long-term relationship with its major customers.

The intangible assets comprised customer relationships and goodwill. Customer relationships and goodwill were acquired through business combination.

Goodwill is allocated to the Group's CGU identified that are expected to benefit from business combinations, being AL&W Limited ("AL&W") and Metal Printing and Packaging, Ltd ("MPPL") with the respective carrying amounts of S\$Nil (2018: S\$2,643,000) and S\$Nil (2018: S\$269,000).

The Group tests the CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired. The estimate of the recoverable amount is determined based on value-in-use calculations. Cash flow projection used in this calculation was based on financial budgets covering a five-year period.

The key assumptions used in value-in-use calculations are as follows:

| | PRC (including Hong Kong) | |
|---|---------------------------|-------------|
| | AL&W | |
| | <u>2019</u> | <u>2018</u> |
| Growth rates ^A | -4.5%-6.0% | -1.0%-4.0% |
| Pre-tax discount rate ^B | 12.69% | 10.50% |
| Budgeted gross profit margin ^C | 40% | 43% |
| Terminal growth rate ^D | 0% | 0% |

^A Annual growth rates used to extrapolate cash flows for the next five-year period are based on the published industry research, adjusted for the specific circumstances of the CGU and based on management's experience.

^B The discount rate applied is based on the weighted average cost of the Group's capital (the "WACC"), adjusted for the specific circumstances of the CGU and based on management's experience, and grossed-up to arrive at the pre-tax rate.

^C Budgeted gross profit margin based on historical data, adjusted for the specific circumstances of the CGU.

^D Terminal growth rate beyond the budget period based on published industry research, adjusted for the specific circumstances of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources, including but not limited to historical data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Intangible assets (Continued)

Consequent to the assessment during the financial year ended 31 December 2019, an impairment loss of S\$2,912,000 (2018: S\$800,000) was recognised for goodwill arising from acquisition of AL&W and MPPL (2018: AL&W) due to the anticipation of lower and delayed future orders intake arising from uncertain and conservative market sentiments in response to escalated global trade tensions.

16. Other assets

| | <u>Group</u> | | <u>Company</u> | |
|--|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Long-term prepaid expenses, at cost ⁶ | 1,181 | 3,136 | – | 2,060 |
| Non-refundable deposits | 130 | 130 | – | – |
| Currency realignment | (14) | (2) | – | – |
| Less: Accumulated amortisation | (1,059) | (1,957) | – | (1,175) |
| Net carrying value | <u>238</u> | <u>1,307</u> | <u>–</u> | <u>885</u> |

⁶ Included in long-term prepaid expenses, at cost, is an amount of S\$2,060,000 pertaining to the prepayment made for the leasehold land at 17 Jurong Port Road, Singapore 619092 where the Company resides. During the financial year ended 31 December 2019, this amount has been reclassified to property, plant and equipment with the initial adoption of SFRS(I) 16.

Movement in the accumulated amortisation are as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Balance at 1 January | 1,957 | 1,457 | 1,175 | 1,069 |
| Reclassification to property, plant and equipment on initial adoption of SFRS(I) 16 | (1,175) | – | (1,175) | – |
| Charge for the year | 287 | 500 | – | 106 |
| Currency realignment | (10) | – | – | – |
| Balance at 31 December | <u>1,059</u> | <u>1,957</u> | <u>–</u> | <u>1,175</u> |

17. Inventories

| | <u>Group</u> | |
|---------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Materials | 2,001 | 2,407 |
| Work-in-progress | 7,975 | 9,934 |
| Finished products | 1,647 | 2,137 |
| Trading inventories | 2,061 | 2,614 |
| Others | 51 | 32 |
| | <u>13,735</u> | <u>17,124</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Inventories (Continued)

Inventories are stated after providing the allowance for inventories obsolescence as follows:

| | <u>Group</u> | |
|----------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| At 1 January | 1,576 | 1,586 |
| Allowance for obsolescence | 98 | 22 |
| Write-back | (44) | (15) |
| Currency realignment | (6) | (17) |
| | <u>1,624</u> | <u>1,576</u> |
| At 31 December | <u>1,624</u> | <u>1,576</u> |

18. Trade and other receivables

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Trade receivables | 20,444 | 20,707 | 5 | 155 |
| Less: Loss allowance | (1,019) | (791) | – | (130) |
| Net trade receivables | 19,425 | 19,916 | 5 | 25 |
| Other receivables | 1,602 | 1,517 | – | – |
| Less: Loss allowance | (457) | (468) | – | – |
| Net other receivables | 1,145 | 1,049 | – | – |
| Prepayments | 5,447 | 5,827 | 12 | 13 |
| Sundry deposits | 273 | 227 | – | – |
| Recoverable amounts | 585 | 494 | 27 | 28 |
| Tax recoverable | 573 | 1,017 | – | – |
| Accrued revenue | 2,633 | 5,352 | – | – |
| | <u>30,081</u> | <u>33,882</u> | <u>44</u> | <u>66</u> |

Trade receivables are non-interest bearing and are generally on 30 to 135 days (2018: 30 to 135 days) credit terms.

The accrued revenue relates to the revenue recognised to date for satisfied performance obligations but has not been invoiced to the customer as at the financial year end and is transferred to trade receivables at the point when it is invoiced to the customers.

Prepayments mainly consists of advances made to suppliers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. Trade and other receivables (Continued)

Net trade and other receivables are mainly denominated in the following currencies as at the reporting date:

| | <u>Group</u> | | <u>Company</u> | |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Singapore dollar | 2,033 | 2,174 | 44 | 66 |
| United States dollar | 15,640 | 15,629 | – | – |
| Chinese renminbi | 5,265 | 6,158 | – | – |
| Hong Kong dollar | 656 | 365 | – | – |
| Vietnamese dong | 4,901 | 3,778 | – | – |
| Euro | 1,564 | 5,778 | – | – |
| Others | 22 | – | – | – |
| | <u>30,081</u> | <u>33,882</u> | <u>44</u> | <u>66</u> |

19. Amounts owing by/(to) subsidiaries

| | <u>Company</u> | |
|--------------------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Amounts owing by subsidiaries | 42,729 | 47,426 |
| Less: Loss allowance | <u>(18,004)</u> | <u>(22,590)</u> |
| Carrying amount | <u>24,725</u> | <u>24,836</u> |
| Amounts owing to subsidiaries | <u>(25,739)</u> | <u>(23,711)</u> |

The amounts owing by/(to) subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Amounts owing by/(to) subsidiaries are denominated in Singapore dollar.

20. Cash and cash equivalents

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Cash and bank balances | 6,147 | 6,887 | 39 | 41 |
| Bank overdrafts (Note 29) | <u>(4,716)</u> | <u>(3,765)</u> | <u>–</u> | <u>–</u> |
| Cash and cash equivalents for statement of cash flows | <u>1,431</u> | <u>3,122</u> | <u>39</u> | <u>41</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.05% to 0.50% (2018: 0.05% to 0.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. Cash and cash equivalents (Continued)

Cash and bank balances are mainly denominated in the following currencies as at the reporting date:

| | <u>Group</u> | | <u>Company</u> | |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Singapore dollar | 410 | 894 | 27 | 28 |
| United States dollar | 1,431 | 1,612 | 12 | 12 |
| Euro | 473 | 1,830 | – | – |
| Chinese renminbi | 3,749 | 2,392 | – | – |
| Vietnamese dong | 41 | 110 | – | – |
| Others | 43 | 49 | – | 1 |
| | <u>6,147</u> | <u>6,887</u> | <u>39</u> | <u>41</u> |

21. Share capital

| | <u>Group and Company</u> | | | |
|-------------------------------|---|---------------------|------------------------|------------------------|
| | <u>2019</u> No. of ordinary shares '000 | <u>2018</u> '000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Issued and fully paid: | | | | |
| At 1 January and 31 December | <u>42,391</u> | <u>42,391</u> | <u>195,039</u> | <u>195,039</u> |

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share without restrictions and have no par value at meetings of the Company.

The Group's and the Company's net asset value per share as at 31 December is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Total equity excluding non-controlling interests (S\$'000) | 14,367 | 24,843 | 19,434 | 21,562 |
| Total number of shares ('000) | 42,391 | 42,391 | 42,391 | 42,391 |
| Net asset value per share (cents) | <u>34</u> | <u>59</u> | <u>46</u> | <u>51</u> |

Share option scheme

Share options pursuant to the Acma Employees' Share Option Scheme 2014 was approved by shareholders on 28 November 2016.

Movements in the number of share options during the year are as follows:

| | <u>Group and Company</u> | |
|---------------------------|--------------------------|---------------------|
| | <u>2019</u> '000 | <u>2018</u> '000 |
| Balance at 1 January | 1,933 | 2,862 |
| Forfeited during the year | – | (929) |
| Balance at 31 December | <u>1,933</u> | <u>1,933</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. Share capital (Continued)

Share option scheme (Continued)

On 28 November 2016 (the “Date of Grant”), a new tranche of 1,976,000 share options were granted to the employees and the directors under the Acma Employees’ Share Option Scheme (“Scheme 2014”). Options were granted at the exercise price of S\$0.35 per share.

As at 31 December 2019, there are outstanding options of 1,933,000 shares (2018: 1,933,000) under the Scheme 2014.

Options outstanding to subscribe for ordinary shares at the end of the financial year have the following terms:

| <u>Exercise period</u> | <u>Exercise price (S\$)</u> | <u>No. of outstanding options</u> | |
|-------------------------|-----------------------------|-----------------------------------|----------------------------|
| | | <u>2019</u> <u>'000</u> | <u>2018</u> <u>'000</u> |
| Scheme 2014 | | | |
| 28.11.2017 – 27.11.2021 | 0.35 | 1,933 | 1,933 |

The fair value of share options as at the date of grant was estimated by using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are shown below:

| <u>Options granted:</u> | <u>Options granted on</u> <u>28 November 2016</u> |
|--------------------------------------|--|
| Expected volatility | 14.33 |
| Risk-free interest rate (%) | 2.26 |
| Expected life of option (years) | 5 |
| Weighted average share price (cents) | 0.32 |

The expected life of the options is based on the full vesting period and therefore not necessarily indicative of exercise patterns that may occur. The expected volatility, which is based on the past 5 years’ daily closing prices prior to the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options were incorporated into the measurement of fair value. All share options are settled via the issue of ordinary shares.

The fair value of the share options for Scheme 2014 at grant date is S\$Nil due to the exercise price of the share options being higher than the fair value of the share options.

22. Capital reserve

The capital reserve comprises statutory reserve which is computed based on 11% (2018: 11%) of the net profits of subsidiaries established in PRC in accordance with local laws and regulations.

23. Share options reserve

The employee share options reserve represents the equity-settled share options granted by the Company to employees of the Company. The capital contribution is made up of the cumulative value of services received from the director.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group, as well as from the translation of foreign currency loans which form part of the Group's net investments in foreign operations.

25. The Group as a lessee

The Group leases land under a 20-year lease arrangement, with no option to renew the lease after that date. The Group has made an upfront payment to secure the right-of-use of the 20-year leasehold land. This lease also contains a variable lease payment that are based on a percentage of the land rent paid by the landlord to Jurong Town Corporation.

The Group leases office factory and certain office equipment for 3 to 10 years. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The Group leases motor vehicles and certain plant and machinery for 2 to 7 years which were previously classified as finance leases under SFRS(I) 1-17.

Extension options

The Group has several lease contracts with extension options exercisable by the Group up to 180 days before the end of the non-cancellable contract period. These extension options are exercisable by the Group and not by the lessors. The extension options are used by the Group to provide operation flexibility in terms of managing the assets used in the Group's operation. As at 31 December 2019, the Group is not reasonably certain that they will exercise these extension options.

Recognition exemptions

The Group has certain office leases, warehouse lease and rented apartments with lease terms of 12 months or less and/or of low value. For such leases, the Group has elected not to recognise right-of-use assets and lease liabilities.

(a) Right-of-use assets

The carrying amount of right-of-use assets by class of underlying asset classified within property, plant and equipment are as follows:

| | <u>Leasehold land</u> S\$'000 | <u>Leasehold buildings and improvements</u> S\$'000 | <u>Furniture and Equipment</u> S\$'000 | <u>Motor Vehicles</u> S\$'000 | <u>Plant and Machinery</u> S\$'000 | <u>Total</u> S\$'000 |
|----------------------|--------------------------------------|--|---|--------------------------------------|---|-------------------------|
| Group | | | | | | |
| At 1 January 2019 | 2,142 | 9,308 | 20 | 304 | 2,951 | 14,725 |
| Additions | – | 1,894 | – | – | 261 | 2,155 |
| Depreciation | (255) | (1,929) | (6) | (77) | (336) | (2,603) |
| Currency realignment | – | (259) | (*) | (*) | (37) | (296) |
| At 31 December 2019 | <u>1,887</u> | <u>9,014</u> | <u>14</u> | <u>227</u> | <u>2,839</u> | <u>13,981</u> |
| Company | | | | | | |
| At 1 January 2019 | 2,142 | – | – | 273 | – | 2,415 |
| Depreciation | (255) | – | – | (88) | – | (343) |
| At 31 December 2019 | <u>1,887</u> | <u>–</u> | <u>–</u> | <u>185</u> | <u>–</u> | <u>2,072</u> |

(*) denotes amount less than S\$1,000

The total cash outflows for leases during the financial year ended 31 December 2019 is S\$2,876,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. The Group as a lessee (Continued)

(b) Lease liabilities – 2019

| | Group 2019 S\$'000 | Company 2019 S\$'000 |
|---------------------------------|-----------------------------------|-------------------------------------|
| Lease liabilities - non-current | 8,430 | 1,022 |
| Lease liabilities - current | 2,456 | 139 |
| | <u>10,886</u> | <u>1,161</u> |

The maturity analysis of lease liabilities is disclosed in Note 35.

Lease liabilities are denominated in the following currencies as at 31 December 2019:

| | Group 2019 S\$'000 | Company 2019 S\$'000 |
|----------------------|-----------------------------------|-------------------------------------|
| Singapore dollar | 1,209 | 1,161 |
| Chinese renminbi | 7,518 | – |
| Hong Kong dollar | 617 | – |
| Vietnamese dong | 1,524 | – |
| United States dollar | 18 | – |
| | <u>10,886</u> | <u>1,161</u> |

(c) Finance lease liabilities – Comparative information under SFRS(I) 1-17

| | Group | | Company | |
|--|--|---|--|---|
| | Minimum lease payments 2018 S\$'000 | Present value of lease payments 2018 S\$'000 | Minimum lease payments 2018 S\$'000 | Present value of lease payments 2018 S\$'000 |
| Within one year | 654 | 616 | 28 | 23 |
| After one year but not more than five years | 1,470 | 1,341 | 153 | 130 |
| More than five years | 160 | 140 | – | – |
| | <u>2,284</u> | <u>2,097</u> | <u>181</u> | <u>153</u> |
| Total minimum finance lease payments | 2,284 | 2,097 | 181 | 153 |
| Less: Amounts representing finance charges | <u>(187)</u> | <u>–</u> | <u>(28)</u> | <u>–</u> |
| Present value of minimum finance lease payments | <u>2,097</u> | <u>2,097</u> | <u>153</u> | <u>153</u> |

The finance lease term is 2 to 7 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. The Group as a lessee (Continued)

(c) Finance lease liabilities – Comparative information under SFRS(I) 1-17 (Continued)

The effective interest rates charged in prior year was 5.01% to 5.86% per annum. Interest rates are fixed at contract dates and thus expose the Group to fair value interest rate risk.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

Finance lease payables are denominated in the following currencies as at 31 December 2018:

| | <u>Group</u> S\$'000 | <u>Company</u> S\$'000 |
|------------------|-------------------------|---------------------------|
| Singapore dollar | 212 | 153 |
| Vietnamese dong | 1,885 | – |
| | <u>2,097</u> | <u>153</u> |

(d) Amounts recognised in profit or loss

| | <u>Group</u> <u>2019</u> S\$'000 |
|---------------------------------------|--|
| Expense relating to short-term leases | 171 |
| Expense relating to low-value assets | <u>31</u> |

26. Provision

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Provision for reinstatement | 119 | – | 119 | – |
| Provision for onerous contract | – | – | – | – |
| | <u>119</u> | <u>–</u> | <u>119</u> | <u>–</u> |

Movement in provision for onerous contract is as follow:

| | <u>Group</u> | | <u>Company</u> | |
|---------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| At 1 January | – | 401 | – | – |
| Charge for the year | – | (401) | – | – |
| At 31 December | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

The provision relates to an onerous non-cancellable lease contract of a factory in PRC which the Group has stopped using. The lease has expired in 2018. Part of the factory has been sublet to third parties. The changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. Deferred tax liabilities

The movements in deferred tax liabilities were as follows:

| | <u>Group</u> | |
|---------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| At 1 January | 444 | 510 |
| Charge for the year | (65) | (66) |
| | 379 | 444 |

At 31 December

Details of deferred tax liabilities are as follows:

| | <u>Group</u> | |
|--|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Deferred tax liabilities: | | |
| Differences in timing of deduction of certain expenses | 379 | 444 |

28. Contract liabilities from contracts with customers

| | <u>Group</u> | |
|-------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Deposits from customers | 5,466 | 6,027 |

Deposits from customers relate to revenue not recognised to date but have been paid by the customers as at the financial year end, and is transferred to revenue, at the point when the performance obligation is satisfied.

Contract liabilities for the financial year ended 31 December 2019 decreased due to less orders being uncompleted as compared to the prior year.

The Group's revenue recognised in the financial years that was included in the contract liabilities balance at the beginning of the respective financial years is as follows:

| | <u>Group</u> | |
|--------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| - Tooling | 5,052 | 2,189 |
| - Equipment distribution | 975 | 738 |
| | 6,027 | 2,927 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Bank borrowings

| | <u>Group</u> | |
|----------------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| <u>Secured</u> | | |
| Overdrafts (Note 20) | 1,451 | – |
| <u>Unsecured</u> | | |
| Overdrafts (Note 20) | 3,265 | 3,765 |
| Bank loan | 2,879 | 1,677 |
| Trust receipts and bills payable | 6,833 | 8,682 |
| | <u>14,428</u> | <u>14,124</u> |

Bank borrowings bear interest at rates ranging from 2.42% to 8.50% (2018: 2.42% to 8.50%) per annum.

The effective interest rate of the bank loan at reporting date is 8.5% (2018: 8.5%) per annum and the interest rate is repriced monthly.

Trust receipts and bills payable have maturities between 1 to 5 months (2018: 1 to 5 months).

As at 31 December 2019, where applicable, unless otherwise stated in the financial statements, the secured overdrafts were supported by the legal mortgage of certain property, plant and equipment (Note 11).

Bank borrowings are denominated in the following currencies as at the reporting date:

| | <u>Group</u> | |
|----------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Singapore dollar | 1,162 | 593 |
| United States dollar | 6,833 | 8,683 |
| Vietnamese dong | 5,612 | 4,848 |
| Chinese renminbi | 811 | – |
| Euro | 10 | – |
| | <u>14,428</u> | <u>14,124</u> |

30. Trade and other payables

| | <u>Group</u> | | <u>Company</u> | |
|--------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Trade payables | 14,368 | 18,440 | 495 | 538 |
| Accruals | 7,145 | 3,604 | 249 | 256 |
| Other tax payables | 250 | 241 | 31 | 52 |
| Other | 1,873 | 1,100 | 20 | 12 |
| | <u>23,636</u> | <u>23,385</u> | <u>795</u> | <u>858</u> |

Trade payables are non-interest bearing and are generally settled within 30 to 90 days (2018: 30 to 90 days) credit terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Trade and other payables (Continued)

Trade and other payables are denominated in the following currencies as at the reporting date:

| | <u>Group</u> | | <u>Company</u> | |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Singapore dollar | 2,853 | 1,165 | 795 | 858 |
| Chinese renminbi | 9,520 | 10,364 | – | – |
| United States dollar | 8,853 | 9,034 | – | – |
| Euro | 232 | 163 | – | – |
| Vietnamese dong | 1,540 | 1,818 | – | – |
| Hong Kong dollar | 614 | 824 | – | – |
| Others | 24 | 17 | – | – |
| | <u>23,636</u> | <u>23,385</u> | <u>795</u> | <u>858</u> |

31. Derivative financial instrument

The Group entered into foreign currency forward contracts to manage its foreign exchange exposures arising from its foreign currency denominated business transactions. The instruments purchased are primarily denominated in United States dollar (2018: United States dollar).

| Nature | <u>Contracted rates</u> | | <u>Notional values</u> | | <u>Settlement date</u> | |
|-------------------------------------|-------------------------|-------------|------------------------|-------------|------------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | | S\$'000 | S\$'000 | | |
| Sell United States dollar, buy Euro | – | 1.144 | – | 950 | – | 28/01/2019 |

The fair value of foreign currency forward contracts at their respective reporting date is estimated as below:

| | <u>Group</u> | |
|-------------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Derivatives held for trading: | | |
| Foreign exchange contracts | <u>–</u> | <u>1</u> |

The fair values are measured based on estimated valuation derived from market quotations.

32. Operating lease commitments

(a) As a lessee

The Group leases office and factory premises under lease agreements that are non-cancellable. The leases have lease term ranging within 1 year (2018: 1 to 12 years) and lease payments are usually revised at each renewal date to reflect the market rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Operating lease commitments (Continued)

(a) As a lessee (Continued)

Future minimum lease payments under these non-cancellable operating leases are as follows:

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Within one year | 24 | 2,067 |
| After one year but not more than five years | – | 6,786 |
| More than five years | – | 2,784 |
| | <u>24</u> | <u>11,637</u> |

(b) As a lessor

The Group has committed to lease its office and factory premises and long-term operating lease, under the non-cancellable agreements for the period ranging from 1 to 10 years (2018: 1 to 10 years).

Future minimum lease receivables under these non-cancellable leases are as follows:

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Within one year | 644 | 641 |
| After one year but not more than five years | 2,043 | 2,297 |
| More than five years | – | 800 |
| | <u>2,687</u> | <u>3,738</u> |

33. Contingent liabilities, unsecured

As at 31 December 2019, the Company has given guarantees amounting to S\$23 million (2018: S\$23 million and US\$4 million) to certain banks and suppliers in respect of banking facilities and credit terms granted to the subsidiaries.

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Company's directors have assessed that the possible amount is not material and it is not probable that the subsidiaries will default on repayment.

As at the end of the financial year, the total amount of unsecured loans drawn down and outstanding covered by the guarantees is S\$9 million (2018: S\$9 million). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. **Contingent liabilities, unsecured (Continued)**

As at the end of the financial year, the Company has also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

34. **Segment information**

Reporting format

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. For each of the strategic business units, the management reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

The management also considers the business from both the business and geographical segment perspective.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense not including non-recurring gains or losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss. However, certain comparative figures have been reclassified to conform with the current financial year's presentation.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated on consolidation.

Business segments

The Tooling and Plastic Injection Moulding segment manufactures moulds mainly for the automotive and electronics industries, and produces plastic injected parts for the manufacturing sector.

The Communications, Electronics and Equipment Distribution segment is a diverse supplier of tele-communications, electronics and packaged air-conditioners. It offers products and services in distribution of packaged air-conditioners, and in supply of microwave tele-communications systems and electronic/computer related products.

The Investment segment relates to the investment holding activities of the Group.

The Metal Printing and Packaging Services segment relates to production of metal containers such as food cans, confectionery cans, paints cans etc. and the provision of customised metal printing services.

Geographical segments

In the Group's geographical segmentation, revenue is segmented based on the locations of the customers in relation to the contractual transactions with the legal entities within the Group. Assets are segmented based on the location where they are situated in relation to the location of the legal entities within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. Segment information (Continued)

(a) Business segments

The following table presents revenue and results information regarding the Group's business segments for the year ended 31 December:

| Group | Tooling and plastic injection moulding S\$'000 | Communications, electronics and equipment distribution S\$'000 | Investment S\$'000 | Metal printing and packaging services S\$'000 | Others S\$'000 | Elimination S\$'000 | Consolidated S\$'000 |
|--|--|--|--------------------|---|----------------|---------------------|----------------------|
| 2019 | | | | | | | |
| Revenue | | | | | | | |
| External customers | 52,789 | 15,531 | 35 | 13,584 | 7,824 | — | 89,763 |
| Inter-segment ⁷ | 3,745 | — | 1,497 | — | — | (5,242) | — |
| Total revenue | 56,534 | 15,531 | 1,532 | 13,584 | 7,824 | (5,242) | 89,763 |
| Profit/(Loss) from operations | 1,385 | 171 | (1,906) | (1,413) | 100 | — | (1,663) |
| Depreciation of property, plant and equipment | (2,880) | (109) | (512) | (837) | — | — | (4,338) |
| Interest income | 137 | 4 | — | 4 | — | — | 145 |
| Finance costs | (922) | (60) | (68) | (626) | — | — | (1,676) |
| Amortisation of other assets | — | — | — | (287) | — | — | (287) |
| Amortisation of intangible assets | — | — | — | (51) | — | — | (51) |
| Impairment of goodwill | (2,643) | — | — | (269) | — | — | (2,912) |
| Allowance on impairment of inventory obsolescence | — | — | — | (98) | — | — | (98) |
| Loss allowance on financial assets, net | (391) | — | — | (6) | — | — | (397) |
| Write-off of property, plant and equipment | (19) | — | — | — | — | — | (19) |
| Write-back of impairment of inventory obsolescence | 44 | — | — | — | — | — | 44 |
| Gain on fair value revaluation of derivative instruments | 1 | — | — | — | — | — | 1 |
| (Loss)/Profit before income tax | (5,288) | 6 | (2,486) | (3,583) | 100 | — | (11,251) |
| Income tax (expense)/credit | (335) | (48) | — | 51 | — | — | (332) |
| Net (loss)/profit for the financial year | (5,623) | (42) | (2,486) | (3,532) | 100 | — | (11,583) |

⁷ Inter-segment revenues are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. Segment information (Continued)

(a) Business segments (Continued)

The following table presents revenue and results information regarding the Group's business segments for the year ended 31 December:

| Group | Tooling and plastic injection moulding S\$'000 | Communications, electronics and equipment distribution S\$'000 | Investment S\$'000 | Metal printing and packaging services S\$'000 | Elimination S\$'000 | Consolidated S\$'000 |
|--|---|---|-----------------------|--|------------------------|-------------------------|
| 2018 | | | | | | |
| Revenue | | | | | | |
| External customers | 68,221 | 17,435 | 35 | 14,266 | — | 99,957 |
| Inter-segment ⁷ | 305 | — | 1,584 | — | (1,889) | — |
| Total revenue | 68,526 | 17,435 | 1,619 | 14,266 | (1,889) | 99,957 |
| Profit/(Loss) from operations | 2,781 | 204 | (537) | 1,475 | — | 3,923 |
| Depreciation of property, plant and equipment | (1,501) | (107) | (44) | (765) | — | (2,417) |
| Interest income | 6 | 6 | (*) | 5 | — | 17 |
| Finance costs | (338) | (43) | (2) | (531) | — | (914) |
| Amortisation of other assets | — | — | (105) | (395) | — | (500) |
| Amortisation of intangible assets | — | — | (2) | (51) | — | (51) |
| Amortisation of long-term operating lease | — | — | — | (549) | — | (549) |
| Impairment of goodwill | (800) | — | — | — | — | (800) |
| Write-back on other investments | — | — | — | — | — | 361 |
| Write-off of other receivable | — | — | 361 | — | — | (2,333) |
| Write-off of recoverable amount | — | — | (2,333) | — | — | (300) |
| Expected credit losses (SFRS(I) 9) | (384) | — | (300) | (41) | — | (425) |
| Reversal of doubtful debts | 15 | — | — | — | — | 15 |
| Amortisation on provision for onerous contract | — | — | 401 | — | — | 401 |
| Allowance on impairment of inventory | — | — | — | (22) | — | (22) |
| Write-back of impairment of inventory obsolescence | 15 | — | — | — | — | 15 |
| (Loss)/Gain on disposal of property, plant and equipment | (6) | (18) | 50 | — | — | 26 |
| Gain on fair value revaluation of derivative instruments | 15 | — | — | — | — | 15 |
| Write-off of property, plant and equipment | (20) | — | — | — | — | (20) |
| Trade payables written-back | 3 | — | — | — | — | 3 |
| (Loss)/Profit before income tax | (214) | 42 | (3,058) | (325) | — | (3,555) |
| Income tax (expense)/credit | (223) | (79) | — | 13 | — | (289) |
| Net loss for the financial year | (437) | (37) | (3,058) | (312) | — | (3,844) |

⁷ Inter-segment revenues are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. Segment information (Continued)

(a) Business segments (Continued)

The following table presents assets and liabilities regarding the Group's business segments as at 31 December:

| Group | Tooling and plastic injection moulding S\$'000 | Communications, electronics and equipment distribution S\$'000 | Investment S\$'000 | Metal printing and packaging services S\$'000 | Consolidated S\$'000 |
|--|---|---|-----------------------|--|-------------------------|
| 2019 | | | | | |
| Segment assets | 46,259 | 8,194 | 3,963 | 13,265 | 71,681 |
| Total assets | 46,259 | 8,194 | 3,963 | 13,265 | 71,681 |
| Total liabilities | (35,759) | (6,579) | (3,116) | (9,749) | (55,203) |
| Net assets | 10,500 | 1,615 | 847 | 3,516 | 16,478 |
| Capital expenditure – tangible assets | 3,047 | 10 | 31 | 51 | 3,139 |
| Other material non-cash items: | | | | | |
| Depreciation of property, plant and equipment | 2,880 | 109 | 512 | 837 | 4,338 |
| Interest income | (137) | (4) | – | (4) | (145) |
| Finance costs | 922 | 60 | 68 | 626 | 1,676 |
| Amortisation of other assets | – | – | – | 287 | 287 |
| Amortisation of intangible assets | – | – | – | 51 | 51 |
| Impairment of goodwill | 2,643 | – | – | 269 | 2,912 |
| Loss allowance on financial assets, net | 391 | – | – | 6 | 397 |
| Gain on fair value revaluation of derivative instruments | (1) | – | – | – | (1) |
| Write-off of property, plant and equipment | 19 | – | – | – | 19 |
| Write-back of impairment of inventory obsolescence | (44) | – | – | – | (44) |
| Write-back on impairment of inventory obsolescence | – | – | – | 98 | 98 |
| 2018 | | | | | |
| Segment assets | 48,409 | 8,661 | 3,021 | 15,138 | 75,229 |
| Total assets | 48,409 | 8,661 | 3,021 | 15,138 | 75,229 |
| Total liabilities | (31,152) | (4,315) | (1,853) | (9,017) | (46,337) |
| Net assets | 17,257 | 4,346 | 1,168 | 6,121 | 28,892 |
| Capital expenditure – tangible assets | 1,024 | 53 | 287 | 243 | 1,607 |
| Other material non-cash items: | | | | | |
| Depreciation of property, plant and equipment | 1,501 | 107 | 44 | 765 | 2,417 |
| Interest income | (6) | (6) | (*) | (5) | (17) |
| Finance costs | 338 | 43 | 2 | 531 | 914 |
| Amortisation of other assets | – | – | 105 | 395 | 500 |
| Amortisation of intangible assets | – | – | – | 51 | 51 |
| Amortisation of long-term operating lease | – | – | 549 | – | 549 |
| Impairment of goodwill | 800 | – | – | – | 800 |
| Write-back on other investments | – | – | (361) | – | (361) |
| Write-off of other receivable | – | – | 2,333 | – | 2,333 |
| Write-off of recoverable amount | – | – | 300 | – | 300 |
| Expected credit losses (SFRS(I) 9) | 384 | – | – | 41 | 425 |
| Amortisation on provision for onerous contract | – | – | (401) | – | (401) |
| Allowance on impairment of inventory obsolescence | – | – | – | 22 | 22 |
| Write-back of impairment of inventory obsolescence | (15) | – | – | – | (15) |
| (Loss)/Gain on disposal of property, plant and equipment | 6 | 18 | (50) | – | (26) |
| Gain on fair value revaluation of derivative instruments | (15) | – | – | – | (15) |
| Write-off of property, plant and equipment | 20 | – | – | – | 20 |
| Trade payables written back | (3) | – | – | – | (3) |

(*) denotes amount less than S\$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. Segment information (Continued)

(b) Geographical segments

The following table presents revenue and certain asset information regarding the Group's geographical segments for the financial years ended 31 December 2019 and 2018:

| Group | PRC (including HK) | | Singapore | | Europe (including UK) | | Vietnam | | Rest of Asia | | North America and others | | Consolidated | |
|---------------------------------|-----------------------|----------|-----------|----------|--------------------------|---------|---------|---------|--------------|---------|-----------------------------|---------|--------------|----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| -External customers | 24,911 | 30,700 | 5,868 | 8,214 | 12,380 | 15,638 | 13,584 | 14,266 | 18,381 | 9,631 | 14,639 | 21,508 | 89,763 | 99,957 |
| Other geographical information: | | | | | | | | | | | | | | |
| Segment assets | 37,933 | 34,573 | 20,483 | 25,518 | - | - | 13,265 | 15,138 | - | - | - | - | 71,681 | 75,229 |
| Total assets | 37,933 | 34,573 | 20,483 | 25,518 | - | - | 13,265 | 15,138 | - | - | - | - | 71,681 | 75,229 |
| Total liabilities | (24,453) | (13,481) | (21,000) | (23,839) | - | - | (9,750) | (9,017) | - | - | - | - | (55,203) | (46,337) |
| Net assets | 13,480 | 21,092 | (517) | 1,679 | - | - | 3,515 | 6,121 | - | - | - | - | 16,478 | 28,892 |
| Non-current assets | 12,870 | 8,264 | 2,272 | 1,355 | - | - | 6,576 | 7,717 | - | - | - | - | 21,718 | 17,336 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------------|------------------------|------------------------|------------------------|
| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
| Financial assets | | | | |
| Trade and other receivables (excluding prepayments and tax recoverable) | 24,061 | 27,038 | 32 | 53 |
| Amounts owing by subsidiaries | – | – | 24,725 | 24,836 |
| Cash and bank balances | 6,147 | 6,887 | 39 | 41 |
| | <u>30,208</u> | <u>33,925</u> | <u>24,796</u> | <u>24,930</u> |
| Financial liabilities | | | | |
| Lease liabilities | 10,886 | 2,097 | 1,161 | 153 |
| Bank borrowings | 14,428 | 14,124 | – | – |
| Trade and other payables (excluding other tax payables) | 23,386 | 23,144 | 764 | 806 |
| Amounts owing to subsidiaries | – | – | 25,739 | 23,711 |
| | <u>48,700</u> | <u>39,365</u> | <u>27,664</u> | <u>24,670</u> |

The Group's activities expose it to credit risks, market risks (including interest rate risks and foreign currency risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's credit risks arises mainly from bank balances, trade and other receivables and other debt instruments carried at amortised cost. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Group categorises the aforementioned financial assets and contract assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per SFRS(I) 9's presumption.

The Group has not rebutted the presumption included in SFRS(I) 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group has established credit limits for each customer under which these customers are analysed for credit worthiness before the Group's standard payment, and delivery terms are offered. The Group's reviews include external ratings, where available and in some cases bank references. Customers that fail to meet the Group's benchmark are only allowed to transact with the Group on a prepayment or cash basis. Most of the customers have been with the Group for many years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Group has concentrations of credit risk to certain customers. The five largest customers of the Group accounted for approximately 23% (2018: 26%) of the Group's revenue for the year ended 31 December 2019. The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

At 31 December 2019, 37% (2018: 41%) of the Group's trade receivables was due from 5 (2018: 5) major customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

The Group's internal credit risk grading categories are as follows:

| Category | Description | Basis of recognising ECL |
|----------|--|--|
| 1 | Low credit risks ^{Note 1} | 12-months ECL |
| 2 | Non-significant increase in credit risks since initial recognition and financial asset is ≤ 30 days past due | 12-months ECL |
| 3 | Significant increase in credit risk since initial recognition ^{Note 2} or financial asset is > 30 days past due | Lifetime ECL |
| 4 | Evidence indicates that financial asset is credit-impaired ^{Note 3} | Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate |
| 5 | Evidence indicates that the management has no reasonable expectations of recovering the write off amount ^{Note 4} | Written off |

Note 1. Low credit risks

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Note 2. Significant increase in credit risks

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information (e.g. expert reports, analyst's reports etc.) and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are > 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cash flows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

During the financial year ended 31 December 2019, the Group wrote off S\$129,000 (2018: S\$34,940,000) of trade receivables. The amounts were trade receivables from third parties which have been outstanding for at least 7 years, are not secured and have been fully impaired in previous years. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there is no reasonable expectation of recovery.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Note 4. Write off (Continued)

During the financial year ended 31 December 2019, the Group wrote off S\$Nil (2018: S\$8,333,000) of other receivables, of which S\$Nil (2018: S\$2,333,000) was recognised in the profit or loss during the year. The amounts were non-trade receivables from third parties which have been outstanding for at least 7 years and are not secured. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there is no reasonable expectation of recovery.

The Group and Company does not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

With reference to Note 33, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, other than as disclosed above, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade and other receivables (Note 18)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables and accrued revenue, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables and accrued revenue are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Company assesses, for example, the gross domestic production growth rates of the countries (e.g. Singapore, PRC, Vietnam, Europe, USA) and the growth rates of the major industries which its customers operate in.

Trade receivables and accrued revenue are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there are no reasonable expectations for recovering the outstanding balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Trade and other receivables (Note 18) (Continued)

The loss allowance for trade receivables and accrued revenue are determined as follows:

| | Current | Past due less than 90 days | Past due 90 to 180 days | Past due more than 180 days | Total |
|---|----------------|-----------------------------------|--------------------------------|------------------------------------|--------------|
| 31 December 2019 | | | | | |
| Expected credit loss rates | 0% | 0% | 1.6% | 35.8% | |
| Trade receivables and accrued revenue (S\$'000) | 7,619 | 6,888 | 5,991 | 2,579 | 23,077 |
| Loss allowance (S\$'000) | – | – | 95 | 924 | 1,019 |
| 31 December 2018 | | | | | |
| Expected credit loss rates | 0% | 0% | 1.1% | 50.9% | |
| Trade receivables and accrued revenue (S\$'000) | 7,834 | 10,509 | 6,301 | 1,415 | 26,059 |
| Loss allowance (S\$'000) | – | – | 71 | 720 | 791 |

Amounts owing by subsidiaries (Note 19)

As of 31 December 2019, the Company recorded amounts owing by subsidiaries of S\$24,725,000 (2018: S\$24,836,000) consequent to an extension of loans to the subsidiaries. The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2019, the past financial performance and cash flow trends, adjusted for the outlook of the industry and economy in which the subsidiaries operate in. Using 12-month ECL, the Company determined that the ECL is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables and accrued revenue, other receivables, amount owing by associates and sundry deposits are as follows:

| Group | Trade receivables and accrued revenue | | Other receivables | | Amount owing by associates | | Sundry deposits | | Total S\$'000 | |
|---|---------------------------------------|-----------------------|-----------------------|------------------|----------------------------|-----------------------|-----------------------|-----------------------|------------------|-----------------------|
| | Note (i) S\$'000 | Category 4 S\$'000 | Category 5 S\$'000 | Total S\$'000 | Category 1 S\$'000 | Category 4 S\$'000 | Category 5 S\$'000 | Category 1 S\$'000 | | Category 2 S\$'000 |
| Internal credit risk grading | | | | | | | | | | |
| Loss allowance | | | | | | | | | | |
| At 1 January 2018 | 50 | 357 | 34,219 | 34,626 | - | 488 | 6,000 | 6,488 | - | 232 |
| Currency realignment | - | (5) | 721 | 716 | - | - | - | - | - | - |
| Allowance for impairment loss | - | 1 | (34,940) | (34,940) | - | - | (6,000) | (6,000) | - | - |
| Write-off of receivables | - | - | - | - | - | - | - | - | - | - |
| Increase in loss allowance recognised in profit or loss | 425 | - | - | 425 | - | - | - | - | - | - |
| Decrease in loss allowance recognised in profit or loss | (17) | (20) | - | (37) | - | - | - | - | - | - |
| At 31 December 2018 | 458 | 333 | - | 791 | - | 488 | 6,000 | 6,488 | - | 232 |
| Currency realignment | - | (7) | - | (7) | - | (44) | - | (44) | - | - |
| Reclassification between categories | - | (129) | 129 | - | - | - | - | - | - | - |
| Write-off of receivables | - | - | (129) | (129) | - | - | - | - | - | - |
| Increase in loss allowance recognised in profit or loss | 274 | 90 | - | 364 | - | 33 | - | 33 | - | - |
| At 31 December 2019 | 732 | 287 | - | 1,019 | - | 457 | - | 457 | - | - |
| Gross carrying amount | | | | | | | | | | |
| At 31 December 2018 | 25,726 | 333 | - | 26,059 | 1,043 | 474 | - | 1,517 | - | 459 |
| At 31 December 2019 | 22,750 | 287 | - | 23,037 | 1,139 | 463 | - | 1,602 | - | 273 |
| Net carrying amount | | | | | | | | | | |
| At 31 December 2018 | 25,268 | - | - | 25,268 | 1,043 | 6 | - | 1,049 | - | 227 |
| At 31 December 2019 | 22,058 | - | - | 22,058 | 1,139 | 6 | - | 1,145 | - | 273 |

Note (i): For trade receivables and accrued revenue, the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

The movement in the loss allowance during the financial year and the Company's exposure to credit risk in respect of the trade receivables, other receivables, amount owing by associates and amounts owing by subsidiaries are as follows:

| Company | Trade receivables | | | Other receivables | | | Amount owing by associates | | | Amounts owing by subsidiaries | | |
|---|-----------------------|-----------------------|------------------|-----------------------|-----------------------|------------------|----------------------------|-----------------------|------------------|-------------------------------|-----------------------|------------------|
| | Category 1 S\$'000 | Category 4 S\$'000 | Total S\$'000 | Category 4 S\$'000 | Category 5 S\$'000 | Total S\$'000 | Category 4 S\$'000 | Category 5 S\$'000 | Total S\$'000 | Category 1 S\$'000 | Category 4 S\$'000 | Total S\$'000 |
| Internal credit risk grading | | | | | | | | | | | | |
| Less allowance | | | | | | | | | | | | |
| At 1 January 2018 | - | 135 | 135 | 2,655 | - | 2,655 | 128 | - | 128 | - | 24,565 | 24,565 |
| Reversal of impairment loss due to repayment made | - | - | - | - | - | - | - | - | - | - | (1,975) | (1,975) |
| Reclassification between categories | - | (5) | - | (2,655) | 2,655 | - | - | - | - | - | - | - |
| Write-off of receivables | - | - | (5) | - | (2,655) | (2,655) | - | - | - | - | - | - |
| At 31 December 2018 | - | 130 | 130 | - | - | - | 128 | - | 128 | - | 22,590 | 22,590 |
| Reversal of impairment loss due to repayment made | - | - | - | - | - | - | - | - | - | - | (4,566) | (4,566) |
| Reclassification between categories | - | (130) | - | - | 130 | - | (128) | 128 | - | - | - | - |
| Write-off of receivables | - | - | (130) | - | (130) | (130) | - | (128) | (128) | - | - | - |
| At 31 December 2019 | - | - | - | - | - | - | - | - | - | - | 18,004 | 18,004 |
| Gross carrying amount | | | | | | | | | | | | |
| At 31 December 2018 | 25 | 130 | 155 | - | - | - | 128 | - | 128 | 9,436 | 37,990 | 47,426 |
| At 31 December 2019 | 5 | - | 5 | - | - | - | - | - | - | 9,180 | 33,549 | 42,729 |
| Net carrying amount | | | | | | | | | | | | |
| At 31 December 2018 | 25 | - | 25 | - | - | - | - | - | - | 9,436 | 15,400 | 24,836 |
| At 31 December 2019 | 5 | - | 5 | - | - | - | - | - | - | 9,180 | 15,545 | 24,725 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

The Company provides unsecured financial guarantees to licensed banks in respect of credit facilities granted to subsidiaries. The Company monitors on an ongoing basis the trend of repayments made by the subsidiaries. The maximum exposure to credit risk amounts to S\$12,977,000 (2018: S\$14,124,000) representing the outstanding balance of credit facilities of subsidiaries in which financial guarantees are given as of the end of reporting date. At the reporting date, there was no indication that the subsidiaries would default on repayment.

Market risks

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. Except for foreign currency forward contracts used to hedge against foreign currency risk, the Group did not enter into derivative financial instruments to hedge against foreign currency risk and interest rate risk.

Interest rate risks

Interest rate risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks relates to interest bearing liabilities.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

At the reporting date, the Group and the Company do not have significant exposure to interest rate risks.

Foreign currency risks

The Group is exposed to foreign exchange risk on sales, purchases, trade and other receivables, cash and cash equivalents, trade and other payables, and bank borrowings that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily the United States dollar ("USD"), Euro ("EUR") and Chinese renminbi ("RMB").

The Group uses forward exchange contracts to hedge against its foreign currency risk arising from trade transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

The Group's exposures to foreign currency are as follows:

| | <u>USD</u> S\$'000 | <u>2019</u> <u>RMB</u> S\$'000 | <u>EUR</u> S\$'000 | <u>USD</u> S\$'000 | <u>2018</u> <u>RMB</u> S\$'000 | <u>EUR</u> S\$'000 |
|--|-----------------------|--------------------------------------|-----------------------|-----------------------|--------------------------------------|-----------------------|
| Monetary assets: | | | | | | |
| Trade and other receivables | 11,786 | 3,957 | 1,562 | 13,001 | 4,424 | 4,814 |
| Cash and bank balances | 1,431 | 3,749 | 473 | 1,612 | 2,392 | 1,830 |
| | <u>13,217</u> | <u>7,706</u> | <u>2,035</u> | <u>14,613</u> | <u>6,816</u> | <u>6,644</u> |
| Monetary liabilities: | | | | | | |
| Trade and other payables | (8,853) | (9,520) | (232) | (9,034) | (10,364) | (163) |
| Bank borrowings | (6,833) | (811) | (10) | (8,683) | – | – |
| | <u>(15,686)</u> | <u>(10,331)</u> | <u>(242)</u> | <u>(17,717)</u> | <u>(10,364)</u> | <u>(163)</u> |
| Net monetary (liabilities)/assets | (2,469) | (2,625) | 1,793 | (3,104) | (3,548) | 6,481 |
| Add: | | | | | | |
| Foreign currency forward contracts | – | – | – | 1 | – | – |
| Currency exposure of those denominated in the respective entity's functional currency | 580 | 2,616 | – | 590 | 2,800 | – |
| Currency exposure of monetary (liabilities)/ assets net of those denominated in the respective entity's functional currency | <u>(1,889)</u> | <u>(9)</u> | <u>1,793</u> | <u>(2,513)</u> | <u>(748)</u> | <u>6,481</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

At 31 December 2019, it is estimated that a five percentage point weakening of foreign currencies against the functional currency of respective entities, with all variables held constant, would decrease the Group's post-tax profit by approximately S\$8,000 (2018: S\$44,000). A five percentage point strengthening of foreign currencies against the functional currency, with all variables held constant, would have an equal but opposite effect. 5% is the sensitivity rate used when reporting foreign currency risks internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rate.

If the following foreign currencies strengthens by 5% (2018: 5%) against the functional currency of each Group entity, profit or loss will increase/(decrease) by:

| | Loss before income tax | |
|-----|-------------------------------|----------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| USD | (85) | (116) |
| RMB | (*) | (31) |
| EUR | 76 | 269 |
| | 76 | 269 |

(*) denotes amount less than S\$1,000

Liquidity risks

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payments and receipts cycle.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The Group prepares cash flows projections on a regular basis for its core operations to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Group's operations are financed mainly through trade financing and internal funds. In addition, the Group has access to lines of credit from financial institutions, and within the Group companies, where necessary, as follows:

| | Group | |
|------------------------------|----------------|----------------|
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Unutilised credit facilities | | |
| - bank overdraft facilities | 331 | 1,327 |
| - trade facilities | 10,097 | 16,353 |
| | 10,097 | 16,353 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments and financial risks (Continued)

Liquidity risks (Continued)

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 reporting date based on contractual undiscounted repayment obligations:

| | Effective interest rate % | Less than 1 year S\$'000 | 1 to 5 years S\$'000 | More than 5 years S\$'000 | Total S\$'000 |
|---|------------------------------------|-----------------------------------|----------------------------|------------------------------------|------------------|
| Group | | | | | |
| Undiscounted financial assets | | | | | |
| Cash and bank balances | 0.05-0.50 | 6,147 | – | – | 6,147 |
| Trade and other receivables | – | 24,061 | – | – | 24,061 |
| As at 31 December 2019 | | 30,208 | – | – | 30,208 |
| Cash and bank balances | 0.05-0.50 | 6,887 | – | – | 6,887 |
| Trade and other receivables | – | 27,038 | – | – | 27,038 |
| As at 31 December 2018 | | 33,925 | – | – | 33,925 |
| Undiscounted financial liabilities | | | | | |
| Trade and other payables | – | 23,386 | – | – | 23,386 |
| Lease liabilities | 4.74-9.01 | 2,826 | 7,745 | 1,824 | 12,395 |
| Bank borrowings | 2.42-8.50 | 14,428 | – | – | 14,428 |
| As at 31 December 2019 | | 40,640 | 7,745 | 1,824 | 50,209 |
| Trade and other payables | – | 23,144 | – | – | 23,144 |
| Lease liabilities | 4.43-5.56 | 654 | 1,470 | 160 | 2,284 |
| Bank borrowings | 2.42-8.50 | 14,124 | – | – | 14,124 |
| As at 31 December 2018 | | 37,922 | 1,470 | 160 | 39,552 |
| Total net undiscounted financial liabilities | | | | | |
| - at 31 December 2019 | | (10,432) | (7,745) | (1,824) | (20,001) |
| - at 31 December 2018 | | (3,997) | (1,470) | (160) | (5,627) |

| | 2019 | | | | | 2018 | | | | |
|--|------------------------------------|-----------------------------------|----------------------------|------------------------------------|------------------|------------------------------------|-----------------------------------|----------------------------|------------------|--|
| | Effective interest rate % | Less than 1 year S\$'000 | 1 to 5 years S\$'000 | More than 5 years S\$'000 | Total S\$'000 | Effective interest rate % | Less than 1 year S\$'000 | 1 to 5 years S\$'000 | Total S\$'000 | |
| Company | | | | | | | | | | |
| Undiscounted financial assets | | | | | | | | | | |
| Trade and other receivables | – | 32 | – | – | 32 | – | 53 | – | 53 | |
| Amounts owing by subsidiaries | – | 24,725 | – | – | 24,725 | – | 24,836 | – | 24,836 | |
| Cash and bank balances | 0.05-0.50 | 39 | – | – | 39 | 0.05-0.50 | 41 | – | 41 | |
| Total undiscounted financial assets | | 24,796 | – | – | 24,796 | | 24,930 | – | 24,930 | |
| Undiscounted financial liabilities | | | | | | | | | | |
| Lease liabilities | 5.01-5.25 | 196 | 820 | 407 | 1,423 | 5.01 | 28 | 153 | 181 | |
| Trade and other payables | – | 764 | – | – | 764 | – | 806 | – | 806 | |
| Amounts owing to subsidiaries | – | 25,739 | – | – | 25,739 | – | 23,711 | – | 23,711 | |
| Total undiscounted financial liabilities | | 26,699 | 820 | 407 | 27,926 | | 24,545 | 153 | 24,698 | |
| Total net undiscounted financial assets/(liabilities) | | (1,903) | (820) | (407) | (3,130) | | 385 | (153) | 232 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. Fair value of assets and liabilities

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- (a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- (b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.
- (c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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

| | Fair value measurement | | | |
|--|------------------------|--------------------|--------------------|------------------|
| | Level 1 S\$'000 | Level 2 S\$'000 | Level 3 S\$'000 | Total S\$'000 |
| Group | | | | |
| 2018 | | | | |
| Recurring fair value measurements | | | | |
| Derivatives financial instrument (Note 31) | | | | |
| - Forward contracts ⁸ | - | (1) | - | (1) |
| | - | (1) | - | (1) |

⁸ Foreign exchange contracts are determined based on dealer quotes. These quotes are tested for reasonableness by using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forwards rates, interest rate curves and forward rates.

Valuation policies and techniques

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regards, the management reports to the Group's audit committee.

It is the Group's policy that where assessed necessary by the management, the Group would engage experts to perform significant complex financial reporting valuations. The management is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance. The Group's internal financial personnel will undertake non-complex financial reporting valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. The management also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2018.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities and trade and other payables, less cash and bank balances. Total capital is calculated as total equity including non-controlling interests, as shown in the statement of financial position, plus net debt.

The gearing ratio is as follows at the reporting date:

| | <u>2019</u> S\$'000 | <u>2018</u> S\$'000 |
|--|------------------------|------------------------|
| Total borrowings, lease liabilities and trade and other payables | 48,950 | 39,606 |
| Less: cash and bank balances (Note 20) | <u>(6,147)</u> | <u>(6,887)</u> |
| Net debt | 42,803 | 32,719 |
| Total equity | <u>16,478</u> | <u>28,892</u> |
| Total capital | <u>59,281</u> | <u>61,611</u> |
| Gearing ratio | <u>72.2%</u> | <u>53.1%</u> |

The Company is not subjected to externally imposed capital requirements for the financial years ended 31 December 2019 and 2018 except as disclosed in Note 22 to the consolidated financial statements. PRC subsidiaries are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subjected to approval by the relevant PRC authorities. The Group is in compliance with the externally imposed requirement for the financial years ended 31 December 2019 and 2018.

38. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the 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 Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. Significant related party transactions (Continued)

- (b) An entity is related to 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);
 - (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);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Associates are related parties and include those that are associates of the holding and/or related companies. Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, other than those disclosed elsewhere in the financial statements, the Group had no significant transactions with related parties.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel remuneration:

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2019 S\$'000 | 2018 S\$'000 | 2019 S\$'000 | 2018 S\$'000 |
| Short-term benefits | 1,388 | 1,478 | 402 | 402 |
| Employers' contribution to defined contribution plans | 37 | 38 | 7 | 7 |
| | <u>1,425</u> | <u>1,516</u> | <u>409</u> | <u>409</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. Initial application of SFRS(I) 16 Leases

SFRS(I) 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short-term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

Lessor accounting under SFRS(I) 16 remains unchanged from SFRS(I) 1-17. Therefore, there is no impact to the Group as a lessor.

The details of the accounting policies under SFRS(I) 16 and SFRS(I) 1-17 are disclosed in Note 2.19.

The Group applied SFRS(I) 16 using the modified retrospective approach and recognised the cumulative effect of initial application on 1 January 2019, being the date of initial application of SFRS(I) 16. Accordingly, the comparative information presented were not restated and is presented as previously reported under SFRS(I) 1-17 and its related interpretations.

Practical expedients applied

The Group applied the following practical expedients when applying SFRS(I) 16 for the first time.

- Not to reassess whether a contract is, or contains, a lease at 1 January 2019 and instead relied on the assessment previously made using SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;
- Not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019;
- Not to recognise right-of-use assets and lease liabilities for leases for which the underlying asset is of low value; and
- Use of hindsight for contracts which contain an option to extend or terminate a lease.

Leases classified as operating leases under SFRS(I) 1-17

The Group previously classified its lease of land, factory premise and certain office equipment as operating leases under SFRS(I) 1-17. Under SFRS(I) 16, the Group recognised, for each lease,

- (a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019; and
- (b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

In the determination of lease liabilities, the Group applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 January 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. Initial application of SFRS(I) 16 Leases (Continued)

Leases classified as finance leases under SFRS(I) 1-17

The Group previously classified certain leases as finance leases under SFRS(I) 1-17. The carrying amount of the lease asset and lease liability recognised under SFRS(I) 1-17 immediately before 1 January 2019 is recognised as the carrying amount of the right-of-use asset and the lease liability under SFRS(I) 16.

The effects of adopting SFRS(I) 16 at 1 January 2019 is summarised as follows:

| | 31 December 2018 SFRS(I) 1-17 S\$'000 | Reclassification S\$'000 | Remeasurement S\$'000 | 1 January 2019 SFRS(I) 16 S\$'000 |
|-------------------------------|--|-----------------------------|--------------------------|--|
| Group | | | | |
| Property, plant and equipment | 11,537 | 2,314 | 9,156 | 23,007 |
| Other investments | 1,429 | (1,429) | – | – |
| Other assets | 1,307 | (885) | – | 422 |
| Provision | – | – | 113 | 113 |
| Lease liabilities | 2,097 | – | 9,043 | 11,140 |
| Company | | | | |
| Property, plant and equipment | 282 | 885 | 1,257 | 2,424 |
| Other assets | 885 | (885) | – | – |
| Provision | – | – | 113 | 113 |
| Lease liabilities | 153 | – | 1,144 | 1,297 |

The effects to deferred tax is immaterial. Therefore, the Group did not make any adjustment to deferred tax at 1 January 2019.

The Group uses incremental borrowing rates at 1 January 2019 to discount the remaining lease payments at 1 January 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate applied by the Group at 1 January 2019 is 5.84%.

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

| | Group At 1 January 2019 S\$'000 |
|---|--|
| Operating lease commitments at 31 December 2018 under SFRS(I) 1-17 as disclosed in the Group's consolidated financial statements | 11,637 |
| Variable leases not included in operating lease commitments in 2018 ⁹ | 1,416 |
| Leases not yet commenced in 2018 to which leases is committed | (1,947) |
| Recognition exemption for leases with 12 months or less of lease term at transition | (601) |
| | <u>10,505</u> |
| Discounted using the incremental borrowing rate at 1 January 2019 | 9,043 |
| Finance lease liabilities recognised at 31 December 2018 | <u>2,097</u> |
| Lease liabilities at 1 January 2019 | <u><u>11,140</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. Initial application of SFRS(I) 16 Leases (Continued)

- ⁹ The variable lease payments pertain to annual land rent, which is subjected to revision based on the prevailing Jurong Town Corporation (“JTC”)-posted rates. JTC’s land rent is payable monthly in advance and will be revised to the prevailing JTC-posted rates with a 5.5% escalation cap annually. JTC-posted rates are revised twice a year to reflect changes in market rental rates. Because JTC is Singapore’s principal developer and manager of industrial land and the driver of market rent of industrial land in Singapore, variability of rent payments arising from rent adjustments by JTC would reflect changes in market rental rates, and accordingly qualify as an index. The variable lease payments that are based on an index or a rate are included as part of the measurement and initial recognition of the lease liability.

40. Subsequent events

In the beginning of 2020, the coronavirus disease 2019 (“COVID-19”) has spread widely across the globe resulting in several actions taken by different countries to contain the virus. Such actions include, among others, restrictions of people agglomeration and travels. Furthermore, the situation brought severe market volatility and is widely expected to adversely impact the global gross domestic product in 2020. The Group primarily operates in Singapore, PRC and Vietnam with significant sales generated from Singapore, PRC, Vietnam, Europe and North America. The COVID-19 situation is therefore likely to have an adverse impact on the Group’s results in the coming financial year, which could be caused by potential delays in revenue recognition and potentially higher expected credit losses. The extent of any adverse impact will however depend on how long the outbreak lasts and for affected countries to return to normalcy. As the situation is still evolving, the full effect of the outbreak is still uncertain and the Group is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group is continuously monitoring and evaluating any possible impact on the Group’s business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation.

STATISTICS OF SHAREHOLDERS

AS AT 18 MAY 2020

STATISTICS OF SHAREHOLDERS

As at 18 May 2020

| | | |
|-------------------------|---|-------------------|
| Number of Shares Issued | : | 42,390,998 |
| Class of Shares | : | Ordinary Shares |

ANALYSIS OF SHAREHOLDERS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shares |
|-----------------------|---------------------|-------------------|-------------------|---------------|
| 1 - 99 | 3,668 | 43.51 | 112,665 | 0.27 |
| 100 - 1,000 | 3,356 | 39.81 | 1,345,066 | 3.17 |
| 1,001 - 10,000 | 1,178 | 13.98 | 3,859,757 | 9.11 |
| 10,001 - 1,000,000 | 221 | 2.62 | 13,002,995 | 30.67 |
| 1,000,001 & above | 7 | 0.08 | 24,070,515 | 56.78 |
| Total | 8,430 | 100.00 | 42,390,998 | 100.00 |

TOP TWENTY SHAREHOLDERS

| Name of Shareholders | No. of Shares | % of Shares |
|---|-------------------|--------------|
| QUEK SIM PIN | 5,816,771 | 13.72 |
| SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD | 5,550,000 | 13.09 |
| ALLINGHAM INVESTMENTS LIMITED | 4,554,455 | 10.74 |
| CITIBANK NOMINEES SINGAPORE PTE LTD | 3,424,493 | 8.08 |
| UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,978,459 | 4.67 |
| S P QUEK INVESTMENTS PTE LTD | 1,396,337 | 3.29 |
| BNP PARIBAS NOMINEES SINGAPORE PTE. LTD. | 1,350,000 | 3.18 |
| TAN ENG CHUA EDWIN | 908,686 | 2.14 |
| CHEW HUA SENG | 894,037 | 2.11 |
| CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 620,901 | 1.46 |
| DBS NOMINEES (PRIVATE) LIMITED | 605,744 | 1.43 |
| JOSCA WOO KONG HWA | 420,000 | 0.99 |
| LIM & TAN SECURITIES PTE LTD | 401,603 | 0.95 |
| GOH GEOK KHIM | 400,001 | 0.94 |
| MAYBANK KIM ENG SECURITIES PTE. LTD. | 370,292 | 0.87 |
| CHUA HEE TECK | 370,000 | 0.87 |
| PHILLIP SECURITIES PTE LTD | 304,926 | 0.72 |
| LIM HOW TECK | 284,482 | 0.67 |
| OCBC SECURITIES PRIVATE LIMITED | 279,954 | 0.66 |
| TAN YONG KUI | 256,860 | 0.61 |
| | 30,188,001 | 71.19 |

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct Interest | Deemed Interest | Total | % | Notes |
|----------------------------------|-----------------|-----------------|-----------|-------|-------|
| QUEK SIM PIN | 5,816,771 | 1,424,462 | 7,241,233 | 17.08 | (1) |
| VICTOR LEVIN | - | 7,237,128 | 7,237,128 | 17.07 | (2) |
| ALLINGHAM INVESTMENTS LIMITED | 4,554,455 | - | 4,554,455 | 10.74 | |
| CHEW HUA SENG | 894,037 | 5,610,000 | 6,504,037 | 15.34 | (3) |

Notes:

- (1) Quek Sim Pin is deemed interested in 1,396,337 Acma shares through his ownership of S P Quek Investments Pte Ltd, and 28,125 Acma shares held by his nominees.
- (2) Victor Levin is deemed interested in 4,554,455 Acma shares through his ownership of Allingham Investments Limited, and 2,682,673 Acma shares held by his nominees.
- (3) Chew Hua Seng is deemed interested in 5,610,000 Acma shares held by his nominees.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 18 May 2020, 50.51% of the issued ordinary shares of the Company was held by the public and therefore Rule 723 of the Listing Manual's complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Five Annual General Meeting (“AGM”) of ACMA Ltd. (the “Company”) will be convened and held by way of electronic means on Tuesday, 23 June 2020 at 9.00 a.m. to transact the following businesses: -

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors’ Report thereon. **[Resolution 1]**
2. To approve the proposed Directors’ fee of S\$109,000/- for the financial year ended 31 December 2019. [2018: S\$136,000/-] **[Resolution 2]**
3. To re-elect Mr Robert Low Mui Kiat, a Director retiring pursuant to Article 93 of the Company’s Constitution. *[See Explanatory Notes to Ordinary Business (i)]* **[Resolution 3]**
4. To note the retirement of Mr Low Seow Chye as a Director of the Company pursuant to Article 93 of the Company’s Constitution. *[See Explanatory Notes to Ordinary Business (ii)]*
5. To re-appoint Messrs Mazars LLP, as the Company’s Auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

7. Authority to allot and issue shares up to fifty per cent (50%) of issued share capital
“THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to issue and allot new shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of Shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in each class of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company’s next Annual General Meeting or the date by which the Company’s next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier.” **[Resolution 5]**
[See Explanatory Notes to Special Business (i)]

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to grant options and issue shares under the Acma Employees' Share Option Scheme 2014

"THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Acma Employees' Share Option Scheme 2014 (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares and subsidiary holdings in each class of the Company from time to time."

[See *Explanatory Notes to Special Business (ii)*]

[**Resolution 6**]

BY ORDER OF THE BOARD

Keloth Raj Kumar (Mr)
Company Secretary

Singapore,
8 June 2020

Explanatory Notes to Ordinary Business:

- (i) Ordinary **Resolution 3** is to re-elect Mr Robert Low Mui Kiat who will be retiring by rotation under Regulation 93 of the Constitution of the Company.

Mr Robert Low Mui Kiat is an Independent Director, who is the Chairman of Audit and Risk Committee, a member of the Remuneration, Nominating as well as Employees' Share Option Scheme Committees of the Company. He will continue in the said capacities upon re-election as a Director of the Company.

Detailed information on this Director (including information as set out in Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited) can be found under "Supplemental Information on Directors Seeking Re-election" and "Board of Directors" in the Company's Annual Report 2019.

- (ii) Mr Low Seow Chye who will not be seeking re-appointment and will retire as a Director of the Company on 23 June 2020 at the conclusion of the AGM of the Company. Upon his retirement, he will relinquish his positions as the Chairman of Remuneration and Employees' Share Option Scheme Committees, a member of the Audit and Risk as well as Nominating Committees of the Company.

Explanatory Notes to Special Business:

- (i) In the proposed **Resolution 5** above, the percentage of issued share capital is calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings in each class at the time of the passing of the resolution approving the mandate after adjusting for:- (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed **Resolution 5**, if passed, will empower the Directors of the Company from the date of the above AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is earlier, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise).

NOTICE OF ANNUAL GENERAL MEETING

The number of shares which the Directors may issue under this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings in each class of the Company). For issue of shares other than on a pro-rata basis to shareholders of the Company, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings in each class of the Company).

- (ii) The proposed **Resolution 6**, if passed, will empower the Directors of the Company from the date of the above AGM until the next AGM, or the day by which the next AGM is required by law to be held, whichever is the earlier, to issue shares up to an amount in aggregate not exceeding fifteen per cent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings in each class of the Company) from time to time pursuant to the exercise of the options under the Scheme.

Notes:-

1. The AGM is convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020.
2. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL <https://www.acmaltld.com/agm-egm> and is also made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast and/or live audio-only stream); (ii) submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's announcement dated 8 June 2020 which has been uploaded together with the Notice of AGM on SGXNet on the same day.

In particular, the AGM will be held by way of electronic means and a member will be able to watch the proceedings of the AGM through a live audio-visual webcast via mobile phone, tablet or computer or listen to these proceedings through a live audio-only stream via telephone. In order to do so, a member who wishes to watch the live audio-visual webcast or listen to the live audio-only stream must pre-register by 9.00 a.m. on 20 June 2020, at the Company's website at the URL <https://www.acmaltld.com/agm-egm>. Following authentication of status as members, authenticated members will receive email instructions on how to access the live audio-visual webcast and live audio-only stream of the proceedings of the AGM by 22 June 2020.

A member who pre-registers to watch the live audio-visual webcast or listen to the live audio-only stream may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 9.00 a.m. on 20 June 2020:

- (a) via the pre-registration website at the URL <https://www.acmaltld.com/agm-egm>;
- (b) in hard copy by sending personally or by post and lodging the same at the Registered Office of the Company at 17 Jurong Port Road, Singapore 619092; or
- (c) by email to the Company at enquiries@acmaltld.com.

In view of the current Covid-19 situation, members are strongly encouraged to submit the questions related to the resolutions electronically via email.

NOTICE OF ANNUAL GENERAL MEETING

4. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The instrument appointing the Chairman of the Meeting as proxy has been uploaded together with this Notice of AGM made available on the Company's website at the URL <https://www.acmaltd.com/agm-egm> and also on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the AGM.
6. The Chairman of the AGM, as a proxy need not be a Member of the Company.

The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

- (i) If submitted by post, be deposited at the Registered Office of the Company at 17 Jurong Port Road, Singapore 619092; or
- (ii) If submitted electronically, be submitted via email to enquiries@acmaltd.com.

in either case, not less than 48 hours before the time set for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit the completed proxy forms by post and for the Company to process completed proxy forms which are submitted by post. There may also be delays in the delivery of completed proxy forms which are submitted by post. Therefore, members are strongly encouraged to submit completed proxy forms electronically via email to enquiries@acmaltd.com to ensure that they are received by the Company by the stipulated deadline.

7. The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions received from members during the AGM through live audio-visual webcast and/or live audio-only stream, having regard to the limited time available at the AGM. Where substantial and relevant questions submitted by members are unable to be addressed at the AGM due to the limited time available at the AGM to address all such questions, the Company will publish the responses to those questions which unable to address during the AGM on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> prior to the AGM.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

PROXY FORM

ACMA LTD.
(Incorporated in the Republic of Singapore)
Company Registration No. 196500233E

IMPORTANT

Alternative Arrangements for Annual General Meeting

- The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL <https://www.acmald.com/agm-egm> and is also made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's announcement dated 8 June 2020 which has been uploaded together with the Notice of AGM on SGXNet on the same day. This announcement is made available on the Company's website at the URL <https://www.acmald.com/agm-egm> and also on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.**
- For investors who have used their CPF monies to buy ACMA LTD's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the AGM.
- Please read the notes to the proxy form.
- By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

I/We _____ (Name) _____ (NRIC/Passport no.)
of _____ (Address) being
a *member/members of ACMA Ltd., hereby appoint the chairman of the Annual General Meeting (the "AGM"), as *my/our
proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM of the Company to be held by electronic means on
Tuesday, 23 June 2020 at 9.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting the resolutions to be proposed at the AGM as
indicated hereunder:-

| No. | Resolution | Number of Votes For ⁽¹⁾ | Number of Votes Against ⁽¹⁾ | Number of Votes Abstain ⁽¹⁾ |
|-----|---|---------------------------------------|--|--|
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon. | | | |
| 2. | To approve the proposed Directors' fee of S\$109,000/- for the financial year ended 31 December 2019. [2018: S\$136,000/-] | | | |
| 3. | To re-elect Mr Robert Low Mui Kiat, a Director retiring pursuant to Article 93 of the Company's Constitution. | | | |
| 4. | To re-appoint Messrs Mazars LLP, as the Company's Auditors and to authorise the Directors to fix their remuneration. | | | |
| 5. | Authority to allot and issue shares up to fifty per cent (50%) of issued share capital. | | | |
| 6. | Authority to grant options and issue shares under the Acma Employees' Share Option Scheme 2014. | | | |

- If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.
- In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Signed this _____ day of _____ 2020

Total no. of Shares held

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

IMPORTANT: PLEASE READ NOTE OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

- a) If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- b) **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting (“AGM”) in person.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.
- c) This proxy form may be accessed at the SGXNet. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- d) Persons who hold Shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM.
- e) The Chairman of the AGM, as a proxy need not be a Member of the Company.
- f) The instrument appointing the Chairman of the Meeting as proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.
- g) Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney 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.
- h) This instrument appointing the Chairman of the Meeting as proxy, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be submitted to the Company in the following manners:
 - (i) If submitted by post, be deposited at the Registered Office of the Company at 17 Jurong Port Road, Singapore 619092; or
 - (ii) If submitted electronically, be submitted via email to enquiries@acmaltd.com

in either case, not less than 48 hours before the time set for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit the completed proxy forms by post and for the Company to process completed proxy forms which are submitted by post. There may also be delays in the delivery of completed proxy forms which are submitted by post. Therefore, members are strongly encouraged to submit completed proxy forms electronically via email to enquiries@acmaltd.com to ensure that they are received by the Company by the stipulated deadline.

- i) The Company shall be entitled to reject this instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 as set out in the Notice of AGM.

ACMA LTD. 17 Jurong Port Road Singapore 619092

