# IAG Holdings Limited
# 迎宏控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*
Stock code : 8513

ANNUAL REPORT
**2017**

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**



This report, for which the directors (the "**Directors**") of IAG Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors:**

Mr. Phua Swee Hoe *(Chairman of the Board and chief executive officer)*
(appointed as director on 17 July 2017)

Ms. Ng Hong Kiew *(Head of finance and administration)*
(appointed as director on 17 July 2017)

Mr. Ang Lai Seng *(Chief operating officer)*
(appointed as director on 25 August 2017)

**Non-executive Director:**

Mr. Tay Koon Chuan
(appointed as director on 25 August 2017)

**Independent Non-executive Directors:**

Mr. Tan Yew Bock
(appointed as director on 19 December 2017)

Mr. Ong Kian Guan
(appointed as director on 19 December 2017)

Mr. Chow Wen Kwan
(appointed as director on 19 December 2017)

## AUDIT COMMITTEE

Mr. Ong Kian Guan *(Chairman)*
Mr. Tan Yew Bock
Mr. Chow Wen Kwan

## REMUNERATION COMMITTEE

Mr. Tan Yew Bock *(Chairman)*
Mr. Phua Swee Hoe
Mr. Ong Kian Guan

## NOMINATION COMMITTEE

Mr. Phua Swee Hoe *(Chairman)*
Mr. Tan Yew Bock
Mr. Ong Kian Guan
Mr. Chow Wen Kwan

## COMPANY SECRETARY

Mr. Lau Chung Wai

## AUTHORISED REPRESENTATIVES

Mr. Phua Swee Hoe
Ms. Ng Hong Kiew

## INDEPENDENT AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
22/F, Prince's Building
Central
Hong Kong

## COMPLIANCE OFFICER

Ms. Ng Hong Kiew

## COMPLIANCE ADVISOR

Fortune Financial Capital Limited
Units 4301–8 & 13
43rd Floor, COSCO Tower,
183 Queen's Road Central,
Hong Kong

## LEGAL ADVISOR

*As to Hong Kong law*
Robertsons

## STOCK CODE

8513

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

16 Kallang Place
#02-10
Singapore 339156

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

57/F, The Center
99 Queen's Road Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

Malayan Maybank Berhad
200 Jalan Sultan
#01-02 Textile Centre
Singapore 199018

## COMPANY WEBSITE

www.inzign.com
***(Note: information contained in this website does not form part of this report)***

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors of IAG Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present the annual report of the Group for the year ended 31 December 2017 (the "**Relevant Period**" or the "**Reporting Period**") to you.

IAG Holdings Limited was incorporated on 17 July 2017 in the Cayman Islands under the Companies Law as an exempted company with limited liability to rationalise the Group's structure for the listing of the Shares of the Company on the GEM of the Hong Kong Stock Exchange. The Company was successfully listed on GEM on 19 January 2018 ("**Listing Date**").

In the financial year ended 31 December 2017 ("**FY2017**"), the Group recorded an increase in turnover of approximately S$1.7 million or 9.1% to approximately S$20.7 million compared with the financial year ended 31 December 2016 ("**FY2016**"). Such increase was mainly due to the increasing demand for plastic medical devices of Respiratory and Dialysis products. The Group has recorded a loss of approximately S$0.8 million, representing a decrease of approximately S$2.5 million as compared to the profit of approximately S$1.7 million recorded in FY2016. The drop in net profit is the result of the Group incurring listing expenses of approximately S$2.2 million to list on the GEM of the Hong Kong Exchange.

Looking ahead, the Group is positive of the outlook of the medical devices market. The demand for plastic medical devices is increasing. Plastics are an ideal class of materials which cover large application areas in health and healthcare. The increasing use of plastics in medical devices is also driven by upgrading and enforcement of infection prevention standards.

I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

**Mr. Phua Swee Hoe**
*Chairman and Executive Director*

Singapore, 28 March 2018

## BUSINESS REVIEW

The Group is a contract manufacturer based in Singapore that is principally engaged in the manufacture and sale of injection molded plastic parts for disposable medical devices and the provision of tooling services.

For the financial year ended 31 December 2017 ("**FY2017**"), the Group recorded a net loss of approximately S$0.8 million as compared to net profit of approximately S$1.7 million for the year ended 31 December 2016 ("**FY2016**"). The Directors are of the view that the net loss was mainly attributable to the non-recurring listing expenses. Setting aside the listing expenses of approximately S$2.2 million, the Group's net profit for FY2017 would be approximately S$1.4 million, compared to S$1.7 million for FY2016. In view of the steady revenue growth for FY2017 as compared to FY2016, and the latest negotiations with existing and potential new customers, the Directors are of the opinion that during FY2017 there has been no fundamental deterioration in the commercial and operational viability in the Group's business.

## OUTLOOK

The shares were listed on GEM on 19 January 2018 ("**Listing Date**") by way of Share Offer. The Directors believe that the listing will raise the profile and visibility of the Group and strengthen our competitiveness among our competitors, in the hope of leading to an increase in market share. In addition, the Directors also believe that customers and suppliers may prefer to work with listed companies given their reputation, listing status, public financial disclosures and general regulatory supervision by the relevant regulatory bodies. The net proceeds from the Share Offer will provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the medical devices plastic injection molding industry.

The Group is in the course of negotiations with existing customers and potential new customers, including groups with scalable size of operations, expressing intentions for inviting us to expand the existing supply scope.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately S$1.7 million or approximately 9.1% from approximately S$19.0 million in FY2016 to approximately S$20.7 million in FY2017. Such increase was mainly driven by the increase in revenue from the increasing demand for plastic medical devices of respiratory and dialysis products.

**Cost of Sales**

The Group's cost of sales increased by approximately S$1.8 million or approximately 12.9% from approximately S$14.5 million in FY2016 to approximately S$16.3 million in FY2017. Such increase was primarily due to (i) increase in depreciation of approximately S$0.2 million due to the acquisition of new property, plant and equipment, (ii) increase in rental expense due to the extension of clean room facilities of approximately S$0.2 million and (iii) increase in cost of inventories due to increase in production of approximately S$1.4 million.

**Gross Profit and Gross Profit Margin**

The Group's overall gross profit decreased by approximately S$0.1 million or approximately 3.1% from approximately S$4.5 million for FY2016 to approximately S$4.4 million for FY2017. The Group's overall gross profit margin decreased from approximately 24.0% in FY2016 to approximately 21.3% in FY2017, which was mainly due to increase in production costs for 2 products and the setting up of a new Class 100,000 clean room facility for the assembly and packaging of medical devices with a floor space of approximately 360 sq.m..

**Other Gains/(Losses) — Net**

The Group's other gains/(loss) amounted to a loss of approximately S$65,000 in FY2016 vis-a-vis a gain of approximately S$90,000 in FY2017.

Our other gains/(losses) mainly comprise fair value gains on financial assets and liabilities at fair value through profit or loss, currency exchange (loss)/gain and loss on redemption of convertible bond.

The difference is primarily due to a (1) foreign currency gain of S$20,000 in FY2017 as compared to a foreign currency loss of S$70,000 in FY2016; (2) a gain on disposal of property, plant and equipment of S$20,000 in FY2017 and (3) a reduction in the loss on redemption of convertible bond of S$42,000 in FY2017.

Foreign exchange gains/(losses) resulting primarily from movement in the US dollars vis-a-vis the Singapore dollars, which is the functional currency of the principal operating subsidiaries. Our Group operates primarily in Singapore and Indonesia in which the majority of the sales transactions are denominated in Singapore dollars while a significant portion of the purchase transactions are denominated in U.S. dollars and a small portion of operating expenses denominated in Rupiah in Indonesia.

Our Group had redeemed S$1.0 million of the convertible bond in cash in the financial year ended 31 December 2015 and fully redeemed the remaining S$1.5 million of the convertible bond in cash in FY2016, which resulted in a loss on redemption of S$42,000 in FY2016.

### Other Income

The Group's other income amounted to approximately S$254,000 and S$332,000 in FY2016 and FY2017 respectively, representing an increase of other income by approximately S$78,000 or 30.7% in FY2017 primarily as a result of an increase in government grants.

### Selling and Distribution Expenses

The Group's selling and distribution expenses, which remained relatively stable, amounted to approximately S$0.2 million in FY2016 and FY2017.

Our selling and distribution expenses mainly comprise expenses for salaries and benefits paid to our sales and marketing staffs, marketing and exhibition expenses, and advertisement and recruitment expenses.

### Administrative Expenses

The Group's administrative expenses increased by S$2.7 million or 113.6% from S$2.3 million in FY2016 to approximately S$5.0 million in FY2017.

Our administrative expenses mainly comprise salaries and benefits paid to our staffs in the administrative function, directors' remuneration, rental and utilities expenses, legal and professional fees, travelling and transportation expenses, depreciation expenses, amortisation expenses, insurance expenses, listing expenses and others such as repair and maintenance fees, entertainment fees, telephone and bank charges.

The increase was primarily due to the recognition of non-recurring listing expenses in FY2017 amounting to approximately S$2.2 million, the increase in legal and professional fees by approximately S$0.1 million and the increase in directors remuneration, staff salaries and benefits of approximately S$0.2 million.

### Finance Cost

The Group's finance cost amounts to approximately S$204,000 and S$188,000 in FY2016 and FY2017 respectively, representing a decrease by approximately S$16,000 or 7.9%.

### Income Tax Expense

For both FY2016 and FY2017, our income tax expense amounted to S$0.3 million. The Group is taxed upon even though it is in a loss making position as the listing expenses of approximately S$2.2 million is not a deductible expense for the purpose of taxation.

### Loss for the Year

As a result of the aforesaid and in particular the substantial increase in administrative expenses, the Group has recorded a loss of S$0.8 million in FY2017 vis-a-vis a profit of approximately S$1.7 million in FY2016.

### Final Dividend

The Board did not recommend the payment of a final dividend for FY2017.

**Liquidity and Financial Resources**

The Group maintained a healthy financial position in FY2017. As at 31 December 2017, the Group had cash and cash equivalents of approximately S$1.2 million (31 December 2016: approximately S$1.8 million).

**Pledge of Assets**

Total bank borrowings amounting to S$648,595 as at 31 December 2017 (2016: S$614,357) are secured by the financial asset at fair value through profit or loss relating to a life insurance policy undertaken by the company for a key management of the Company (Note 16).

**Indebtedness**

As at 31 December 2017, our Group had available credit facilities from banks for bank overdrafts and trust receipts of approximately S$3.2 million of which approximately S$0.9 million was unutilized. Approximately S$1.9 million and S$0.4 million was utilized in the form of trust receipts and bank overdrafts respectively.

Our Group also had finance lease liabilities of approximately S$0.6 million and bank borrowings liabilities of approximately S$1.2 million. Our Group's total borrowings amounted to approximately S$4.2 million.

**Finance Lease Liabilities**

Our Group leases certain property, plant and equipment and motor vehicles from third parties under finance lease. The table below sets forth the maturity profile of our finance leases as at 31 December 2016 and 2017.

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | **S$** | S$ |
| Not later than one year | **297,324** | 153,334 |
| Later than one year but not later than five years | **292,099** | 134,645 |
| | **589,423** | 287,979 |

**Commitments**

The Group leases office premises from third parties under non-cancellable operating lease agreement.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **S$** | S$ |
| Not later than 1 year | **856,773** | 1,308,775 |
| Later than 1 year and not later than 5 years | **741,346** | 1,622,368 |
| | **1,598,119** | 2,931,143 |

The Group has no other material commitments as at 31 December 2016 and 2017.

**Contingent Liabilities**

In November 2014, the Group commenced legal proceedings against one of its suppliers ("**Defendant**"). In January 2015, the Defendant filed a defence and counterclaim against the Group. In March 2018, the trial of the above legal proceedings were heard before the Singapore Courts and the trial judge granted judgment including expenses in favour of the Defendant of approximately S$127,000. As at the date of this report, both the Group and the Defendant have filed their Notices of Appeal and the date of the hearing before the Court of Appeal has not been fixed. The Board of Directors, pursuant to the advice from the Company's legal advisor, is of the opinion that the Group has valid grounds to appeal and as such, it is likely that the Defendant's counterclaim against the Group will not succeed.

**Human Resource Management**

Our Group had a total of 133 employees as at 31 December 2017, of which 114 are in Singapore and 19 in Batam, Indonesia. Of these employees, 60 are foreign workers, representing approximately 52.6% of our employees in Singapore as at 31 December 2017 and satisfied the quota allowed by the Ministry of Manpower, Singapore as shown on its website. Set forth below is a breakdown of the number of our employees by functions as at 31 December 2017.

| | Number of employees | |
|---|---|---|
| | **Batam** | **Singapore** |
| Management | — | 11 |
| Finance | 1 | 3 |
| Sales and marketing | — | 1 |
| Operation | 13 | 49 |
| Quality assurance | 4 | 16 |
| Product development/Engineering | — | 33 |
| Human resources | 1 | 1 |
| **TOTAL** | 19 | 114 |

Our employees have been an important part of our Group's growth and success and we believe they will continue to be critical to the success of our Group going forward. We recruit employees primarily from the open market, government, employment agencies and advertise openings through advertisements in newspapers and online job sites. During the reporting, we have not paid any referral fees to recruitment agencies. We have also adopted a policy on affirmative actions which directs all employees of our Group to make special efforts in all areas of life and work at our Group with the intent to create a harmonious working environment for our staff. We also provide on the job training whilst staff are employed with our Group and offer financial support to our full time staff who have been employed by our Group for over one year to attend courses for career development. We offer our staff remuneration that includes salary and other benefits. For the FY2016 and FY2017, our expenses for labour costs were approximately S$4.6 million and S$4.7 million, respectively.

During FY2017 and up to the date of this report, we have not experienced any material dispute with our employees or any disruption to our operations due to labour dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel.

**Significant Investment Held**

Except for the investment in its subsidiaries as at 31 December 2016 and 2017, the Group did not hold any significant investment in equity interest in any other company.

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Pursuant to a group reorganisation completed on 19 December 2017 (the "**Reorganisation**") to rationalise the Group Structure for the listing of the Company's Share on the GEM of the Stock Exchange, the Company became the holding Company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**").

Save for the Reorganization, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### Use of Proceeds

The net proceeds from the listing (after deducting the underwriting commission and expenses relating to the Share Offer borne by the Company) amounted to approximately S$7.1 million which will be used to enable the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the medical devices plastic injection molding industry.

These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at the date of this annual report, the Directors do not anticipate any change to the plan of use of proceeds as disclosed in the Prospectus.

### Subsequent Events

On 19 January 2018, the Company issued additional 299,999,900 shares, credited as fully paid, to the Controlling Shareholders of the Company by way of capitalisation of HK$2,999,999 standing to the credit of the Company's share premium account.

On 19 January 2018, the shares of the Company were listed on the Stock Exchange. In connection with the Listing completed on 19 January 2018, the Company issued a total of 100,000,000 ordinary shares at a price of HK$0.65 per share for a total proceeds (before related fees and expenses) of HK$65,000,000.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Phua Swee Hoe (潘瑞河)**, aged 61, is one of the founders of our Group and has been serving as a director of Inzign since May 1981. He is also a director of P.T. Inzign and Medizign. He was appointed as a Director on 17 July 2017. He was redesignated as an executive Director and appointed as the chairman of our Board and chief executive officer of our Group on 25 August 2017. He is primarily responsible for the overall management, strategic direction and business development of our Group. He is also the chairman of the nomination committee and a member of the remuneration committee of our Company.

Mr. Phua completed GCE Ordinary Level in Singapore in December 1972. He holds a National Trade Certificate in metal machining issued by the Industrial Training Board Singapore in June 1974 and a certificate of apprenticeship in tool and die making, where the training was conducted by General Electric (USA) Housewares Pte Ltd.

Mr. Phua's experience in the injection molding industry is primarily from his over 30 years after establishing Inzign. During this period, he has gained substantial experience in injection molding of component and sub-assembly parts for medical devices and has been instrumental in driving the development of our Group's operations over the years.

Save as being the spouse of Ms. Ng, Mr. Phua does not have any relationship with other Directors and senior management.

**Ms. Ng Hong Kiew (黃鳳嬌)**, aged 58, joined our Group in March 1992. She was appointed as a Director on 17 July 2017. She was redesignated as an executive Director on 25 August 2017.

Ms. Ng received a higher stage group diploma in auditing and accounting from the London Chamber of Commerce and Industry in 1978.

Ms. Ng has been with our Group for over 25 years. She served as a director of Inzign from March 1992 to March 2005. During this period, Ms. Ng has been responsible for overseeing our Group's cash flow and balance sheet, compiling schedules and financial statements for tax submission purposes and arranging monthly payroll for all employees. Since March 2005, she has been the head of finance and administration of our Group and is primarily responsible for finance, treasury and administration.

Save as being the spouse of Mr. Phua, Ms. Ng does not have any relationship with other Directors and senior management.

**Mr. Ang Lai Seng (洪來成) ("Mr. Ang")**, aged 56, joined our Group in September 2016 as an operations manager of Inzign. He was appointed as an executive Director and chief operating officer of our Group on 25 August 2017. He is primarily responsible for managing and leading the production operations.

Mr. Ang was awarded a diploma in industrial and operations management, a course offered by Management Development Institute of Singapore and in collaboration with University of Bradford, United Kingdom in February 1999.

Prior to joining our Group, from July 1989 to October 2015, Mr. Ang was employed by Baxter Healthcare SA, a company that develops, produces and distributes pharmaceutical products. During his employment with Baxter Healthcare SA, he served in various roles, including production supervisor, senior supervisor, material specialist, manufacturing superintendent and manager.

Mr. Ang was qualified as a manufacturing management assistant as recognised by the SANNO Institute Tokyo Japan in September 1988. He also holds an industrial technician certificate in mechatronics engineering from the vocational and industrial training board in Singapore since December 1985.

## NON-EXECUTIVE DIRECTOR

**Mr. Tay Koon Chuan (鄭琨荃) ("Mr. Tay")**, aged 57, joined our Group as a director of Inzign in August 2012. He was appointed as a non-executive Director on 25 August 2017. He is primarily responsible for formulating our Group's corporate and business strategies.

Mr. Tay obtained a bachelor's degree of engineering from the National University of Singapore in June 1985. He further received a master of science degree in computer sciences from University of Wisconsin-Madison in the United States and a master of business administration degree from Nanyang Technological University in Singapore in May 1990 and July 1994, respectively.

Prior to joining our Group, from May 1994 and August 1999, he worked for Walden International Investment Group, a global venture capital firm, with his last position as vice president and responsible for managing investment portfolio in South Asia and Southeast Asia. From August 1999 to February 2000, he worked as the chief financial officer of Commerce Exchange Pte Ltd, a company that provides electronic payment solutions for business-to-business e-commerce platforms. He served as a director of VChain Corporation Ltd from December 1999 to November 2006. From June 2004 to March 2006, he served as a director of Magzone Asia Pte Ltd, a company that operates internet electronic magazine publishing platforms. From September 2005 to December 2016, he was employed by Fortune Capital Management Pte Ltd as its president.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tan Yew Bock ("Mr. Tan")**, aged 58, was appointed as an independent non-executive Director on 19 December 2017. He is the chairman of the remuneration committee and a member of each of the audit and nomination committee of our Company.

Mr. Tan obtained a bachelor's degree in mechanical engineering from National University of Singapore in June 1986. He further received a master in business administration degree from Nanyang Technological University of Singapore in July 1994.

Prior to joining our Group, from August 1986 to May 1996, Mr. Tan worked at Microelectronic Packaging Inc, a company engaged in the business of manufacturing of electronic packaging. During his employment with Microelectronic Packaging Inc, he held various positions ranging from engineering to general management. He was responsible for designing and developing package tooling and assembly processes. From July 1996 to March 2008, he was employed by Becton Dickinson Holdings for various roles, including deputy general manager, facilities & materials manager, manufacturing manager and director. He was mainly responsible for the overall operations of critical care business. Since April 2008, he has been working as a freelance consultant to companies that engaged in medical technology and biomedical engineering.

**Mr. Ong Kian Guan (王建源) ("Mr. Ong")**, aged 50, was appointed as an independent non-executive Director on 19 December 2017. He is the chairman of the audit committee and a member of the nomination and remuneration committee of our Company.

He is currently an audit partner of Baker Tilly TFW LLP where he heads the Assurance services. He is a practising member and a fellow of the Institute of Singapore Chartered Accountants (the "**ISCA**"). He has more than 24 years of professional experiences in financial audits of multinational corporations and public listed companies from diverse industries. His experiences also includes consultancy, particularly initial public offerings of companies, financial due diligence and outsourced internal audit assignments. He is currently an independent director and the audit committee chairman of various public listed companies.

Mr. Ong was registered as a public accountant in Singapore in May 2005 and was admitted as a fellow member of the Institute of Certified Public Accountants of Singapore in January 2010. He obtained a Bachelor's degree in accountancy from Nanyang Technological University in Singapore in May 1992.

**Mr. Chow Wen Kwan (周文光) ("Mr. Chow")**, aged 44, was appointed as an independent non-executive Director on 19 December 2017. He is a member of the audit and nomination committee of our Company.

Mr. Chow graduated from the National University of Singapore in July 1998 with a Bachelor of Laws degree. He further received a Master of Laws degree from University of Virginia in United States in May 1999. He was admitted as an attorney at law of the State of New York, USA in November 2000. In 2002, he completed the Practical Law Course conducted by the Singapore Academy of Law in Singapore. He was admitted to practice as an advocate and solicitor of the High Court of Singapore in May 2003.

Mr. Chow has more than 10 years of experience in legal practice. From 2000 to 2001, he was an associate with the corporate practice group of White & Case Pte. Ltd. in Singapore. From 2003 to 2004, he practised with Morgan Lewis Stamford (formerly known as Stamford Law Corporation) in Singapore as a senior associate, and later as an associate director from 2005 to 2006, both of which with the corporate practice group. In 2006, he joined Hogan Lovells (formerly known as Lovells) as senior associate of the corporate practice group in Hong Kong. He served as an assistant vice president at Singapore Exchange Securities Trading Limited from 2007 to 2008. From 2008 to 2012, he was a director of Drew and Napier LLC in Singapore. Since March 2012, he has been a partner in Bird & Bird LLP's Corporate/Commercial Practice Group. His practices focus on mergers and acquisitions, private equity and equity and debt capital markets. He also advises on corporate governance and Singapore stock exchange related matters.

## SENIOR MANAGEMENT

**Mr. Foo Chee Wee (符致輝) ("Mr. Foo")**, aged 52, first joined our Group in November 2005 and is currently a senior manager of the sales and customer service department of Inzign. He is primarily responsible for account management and customer service.

Mr. Foo completed GCE Ordinary Level in Singapore in December 1982. He also holds a diploma in mechanical engineering from Singapore Polytechnic.

Prior to joining our Group, from January 1989 to June 1990, Mr. Foo was the associate engineer in the trial molding department of Philips Singapore Pte Ltd, where he was responsible for supervising machine operators and injection molding machines. From June 1990 to October 1992, he worked as an engineer at Tonhow Industries Limited, a company engaged in the manufacturing and sale of injection molded plastic components. In October 1992, he joined Fowseng Plastics Industries Pte Ltd as a quality assurance engineer. He was later promoted to the position of production superintendent in June 1994 and served in the same position until May 1997. From May 1997 to May 2002, he worked as a material manager at Altum Precision Pte Ltd, a company which manufactures and markets die-casting and precision machining based components. From September 2003 to November 2005, he was employed as a logistics manager by Hi-P International Limited, a global manufacturer in the telecommunications, lifestyle, computing and automotive industries. From September 2007 to April 2008, he worked as a logistics/erp program manager at Fischer Tech Ltd, a specialist manufacturer of high volume precision engineering plastic components.

From November 2005 to March 2007, Mr. Foo joined our Group as material manager, during which he was responsible for production planning and control, purchasing, inventory and logistics control, vendor selection and management and communication and coordination of delivery arrangements with customers of our Group. Mr. Foo rejoined our Group in May 2008 as sales and customer service senior manager. He has since been responsible for managing customer accounts, obtaining and negotiating quotations, managing marketing activities such as organizing and participating in overseas trade shows, following up on introduction of new products, monitoring product costing, controlling annual financial budgets and reviewing and monitoring production performances.

**Mr. Wong Quee Seng (黃桂成) ("Mr. Wong")**, aged 48, joined our Group in July 1993. Mr. Wong is currently the toolroom manager of Inzign and is primarily responsible for the design of products, tooling quotation, schedule plan and manufacturing process.

Mr. Wong was awarded a diploma in precision engineering by Nanyang Polytechnic in Singapore in December 2003.

Mr. Wong has been employed by our Group for over 20 years. He joined Inzign as a trainee machinist in July 1993, during which he was responsible for operating CNC milling, surface grinding machine, jig grinding machine and fabricating mold plates. He then worked as a mold designer from 1997 to 2005, during which his responsibilities included creating conceptual mold designs, electrode designs and 3D CAD designs, constructing detailed 2D drawings and programming CAD/CAM for machinists. He was promoted as a senior designer in 2005, during which he was responsible for the whole spectrum of tooling designs, overseeing ISO processes for design and development, creating mold standard guidelines and reviewing all mold designs. He was put in charge of the designer team between 2012 to 2015. In 2016, Mr. Wong was promoted to toolroom manager, since when he also became responsible for overlooking the incentive scheme for toolroom, giving toolroom working instructions, planning tooling fabrication and providing tooling quotations.

**Mr. Wang Yingzheng (王英正) ("Mr. Wang")**, aged 31, joined our Group in August 2017 as the financial controller. He is primarily responsible for supervising the overall accounting and financial management of our Group.

Mr. Wang graduated from the Singapore Polytechnic in March 2009 after completing the Diploma in Accountancy. In July 2011, Mr. Wang graduated from Queensland University of Technology, Australia, Brisbane with a Bachelor of Business with Distinction in accountancy.

From July 2012 to June 2015, Mr. Wang was employed by Maersk Drilling Holdings Singapore Pte Ltd as an accountant in Singapore and a site controller in South Korea. From June 2016 to August 2017, Mr. Wang was employed by Otto Marine Limited as an accountant.

Since December 2016, Mr. Wang has been admitted as a certified public accountant of the Certified Public Accountants Australia.

None of our senior management has held any directorship in any listed companies in the last three years.

## COMPANY SECRETARY

**Mr. Lau Chung Wai (劉仲緯) ("Mr. Lau")**, aged 35, was appointed as our company secretary on 25 August 2017.

Mr. Lau obtained his bachelor in business administration from the Hong Kong University of Science and Technology in 2004.

Mr. Lau has over 13 years of experience in accounting and finance. From September 2004 to September 2011, he was a manager of the assurance service team in Ernst & Young. From September 2011 to April 2013, he was a finance manager in a media company which is a subsidiary of Publicis Groupe SA, Starcom, a company listed on the Euronext Paris (stock code: PUB). From May 2013 to July 2015, he was a group financial controller of an enterprise engaging in the manufacturing of furniture and home decoration products in the PRC. Since August 2015, he has been the chief financial officer and company secretary of Da Sen Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1580), and is responsible for overseeing the investment, legal and financial affairs.

Mr. Lau is a fellow practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lau does not act as an individual employee of our Company, but as an external service provider in respect of the proposed appointment of Mr. Lau as the company secretary of the Company. Pursuant to paragraph F.1.1 of the Corporate Governance Code, the Company can engage an external service provider as its company secretary, provided that the Company should disclose the identity of a person with sufficient seniority at the issuer whom the external service provider can contact. While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, after having considered Mr. Lau's experience, both the Company and Mr. Lau are of the view that there are sufficient time, resources and support for fulfilment of the company secretary requirements of the Company.

# CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the Relevant Period.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 15 of the GEM Listing Rules. As the Company was only listed on GEM since 19 January 2018, the Corporate Governance Code was not applicable to the Company during FY2017. Throughout the period since the Listing Date and up to the date of this report, to the best knowledge of the Board, save for provision A.2.1 of the Code, the Company has complied with all the applicable code provisions set out in the Code since the adoption of the Corporate Governance Code.

## BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

### Composition of the Board

Up to the date of this annual report, the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors ("**INED**"). In particular, the composition of the Board is set out as follow:

### Executive Directors

Mr. Phua Swee Hoe *(Chairman and Chief executive officer)* (appointed on 17 July 2017)
Ms. Ng Hong Kiew *(Compliance officer)* (appointed on 17 July 2017)
Mr. Ang Lai Seng (appointed 25 August 2017)

### Non-executive Director

Mr. Tay Koon Chuan (appointed on 25 August 2017)

### Independent Non-executive Directors

Mr. Tan Yew Bock (appointed on 19 December 2017)
Mr. Ong Kian Guan (appointed on 19 December 2017)
Mr. Chow Wen Kwan (appointed on 19 December 2017)

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs since the Listing Date where the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgment.

The Company has entered into a service agreement with each of the non-executive Director and INEDs for a term of one year, which may be terminated earlier by no less than one month written notice served by either party on the other in writing.

The Company has received annual written confirmations from all INEDs with regards to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 5.09 of the Listing Rules, that all independent INEDs to be independent.

In accordance with Articles 84(1) and 84(2) of the articles of association of the Company (the "**Articles**"), one-third of the Directors, (or, if the number of Directors is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Saved as disclosed in the section "Biographical Details of Directors and Senior Management" in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

### Board and General Meetings

In FY2017, two (2) board meetings were held. Between 1 January 2018 and the date of this report, one board meeting was held. The forthcoming annual general meeting which will be held on 31 May 2018 is the first general meeting of the Company since the date of Listing.

The attendance of the respective Directors at the Board meetings are set out below:

| | Attendance/ Number of meetings during FY2017 | Attendance/ Number of meetings between 1 January 2018 and the date of this report |
|---|---|---|
| **Executive Directors** | | |
| Mr. Phua Swee Hoe *(Chairman and Chief executive officer)* (appointed on 17 July 2017) | 2/2 | 1/1 |
| Ms. Ng Hong Kiew *(Compliance officer)* (appointed on 17 July 2017) | 1/2 | 1/1 |
| Mr. Ang Lai Seng (appointed on 25 August 2017) | 2/2 | 1/1 |
| **Non-executive Director** | | |
| Mr. Tay Koon Chuan (appointed on 25 August 2017) | 2/2 | 1/1 |
| **Independent Non-executive Directors** | | |
| Mr. Tan Yew Bock (appointed on 19 December 2017) | 2/2 | 1/1 |
| Mr. Ong Kian Guan (appointed on 19 December 2017) | 2/2 | 1/1 |
| Mr. Chow Wen Kwan (appointed on 19 December 2017) | 2/2 | 1/1 |

### Chairman and Chief Executive Officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Phua Swee Hoe currently holds both positions. Since establishment of the Group in 1981, Mr. Phua Swee Hoe has been the key leadership figure of the Group and has been deeply involved in the formulation of business strategies and determination of the overall direction of the Group. Mr. Phua Swee Hoe has also been chiefly responsible for the Group's operations as he directly supervises the Executive Directors (other than himself) and members of the Group's senior management. Taking into account the continuation of the implementation of the Group's business plans, Directors (including the independent non-executive Directors) consider Mr. Phua Swee Hoe as the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the shareholders of the Company as a whole.

## RELATIONSHIPS AMONG MEMBERS OF THE BOARD

Save for Mr. Phua Swee Hoe and Ms. Ng Hong Kiew being spouses, there are no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Based on specific enquiry made with the Directors, all Directors confirmed that they have fully complied with the required standard of dealings and there was no event of non-compliance since the Listing Date up to the date of this report.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

In FY2017, the Company has complied with code provision A.6.5 of the Code that all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

## BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee (the "**Audit Committee**") has been established on 19 December 2017 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C.3.3 and C.3.7 of the Code; a remuneration committee (the "**Remuneration Committee**") has been established on 19 December 2017 with its terms of reference in compliance with code provision B.1.2 of the Code; and a nomination committee (the "**Nomination Committee**") has been established on 19 December 2017 with terms of reference a compliance with code provision A.5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.inzign.com) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

## AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Mr. Ong Kian Guan (Chairman), Mr. Tan Yew Bock and Mr. Chow Wen Kwan all of whom are INEDs of the Company. The members of the Audit Committee shall be confined to non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website www.inzign.com or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and to approve the remuneration and terms of engagement of the Company's external auditors, and any questions of its resignation or dismissal of that auditor;

2. to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to review and monitor integrity of the Company's financial statements, annual report and accounts, half-year report, quarterly reports and review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

6. to discuss the Company's risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

7. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

8. to act as the key representative body for overseeing the Company's relations with the external auditor;

9. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

10. where an Internal Audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

11. to review the group's financial and accounting policies and practices;

12. to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to report to the Board on the matters in these terms of reference; and

15. to consider other topics, as defined by the Board.

Pursuant to the meeting of the Audit Committee, the Audit Committee had discussed internal controls and financial reporting matters for FY2017. The Audit Committee had also reviewed audited annual results for FY2017, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

In FY2017, there was no Audit Committee meeting held as the members of the Audit Committee were appointed as directors on 19 December 2017. Subsequent to 31 December 2017, the Audit Committee had held one meeting with full attendance by all the members of the Audit Committee. The attendance records of the members of the Audit Committee are summarised below:

| | Attendance/ Number of meetings during FY2017 | Attendance/ Number of meetings between 1 January 2018 and the date of this report |
|---|---|---|
| Mr. Ong Kian Guan *(Chairman)* (appointed on 19 December 2017) | – | 1/1 |
| Mr. Tan Yew Bock (appointed on 19 December 2017) | – | 1/1 |
| Mr. Chow Wen Kwan (appointed on 19 December 2017) | – | 1/1 |

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Tan Yew Bock (Chairman), Mr. Phua Swee Hoe and Mr. Ong Kian Guan. Save for Mr. Phua Swee Hoe, who is an executive Director, the members of the Remuneration Committee are INEDs of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website www.inzign.com or the website of the Stock Exchange):

1. to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to make recommendations to the Board on the remuneration packages of all individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, and employment conditions elsewhere in the Group and desirability of performance-based remuneration;

3. to review and approve the management's performance-based remuneration proposals with reference to the Board's corporate goals and objectives from time to time;

4. to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with the relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

6. to ensure that no director or any of his associates is involved in deciding his own remuneration;

7. to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules; and

8. to accommodate a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive directors' and senior management's remuneration.

There was no meeting held in FY2017 as the members of the Remuneration Committee were appointed as directors on 19 December 2017.

The attendance records of the members of the Remuneration Committee are summarised below:

| | Attendance/ Number of meetings during FY2017 | Attendance/ Number of meetings between 1 January 2018 and the date of this report |
|---|---|---|
| Mr. Tan Yew Bock *(Chairman)* (appointed on 19 December 2017) | – | 1/1 |
| Mr. Phua Swee Hoe (appointed on 19 December 2017) | – | 1/1 |
| Mr. Ong Kian Guan (appointed on 19 December 2017) | – | 1/1 |

Subsequent to 31 December 2017, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities in FY2017 and from 1 January 2018 to the date of this report.

## NOMINATION COMMITTEE

The Nomination Committee comprises four members, namely Mr. Phua Swee Hoe (Chairman), Mr. Tan Yew Bock, Mr. Ong Kian Guan and Mr. Chow Wen Kwan. Save for Mr. Phua Swee Hoe, who is an executive Director, the members of the Nomination Committee are INEDs of the Company.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website www.inzign.com or the website of the Stock Exchange):

1. The responsibilities and authorities of the Nomination Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (as amended from time to time).

2. Without prejudice to any requirement under the CG Code, the duties of the Nomination Committee include but not limited to the following:

    (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

    (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

    (c) To assess the independence of INEDs; and

    (d) To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive.

There was no meeting held in FY2017 as the members of the Nomination Committee were appointed as directors on 19 December 2017. Subsequent to 31 December 2017, the Nomination Committee had held one meeting with full attendance by all the members of the Nomination Committee.

The attendance records of the members of the Nomination Committee are summarised below:

| | Attendance/ Number of meetings during FY2017 | Attendance/ Number of meetings between 1 January 2018 and the date of this report |
|---|---|---|
| Mr. Phua Swee Hoe *(Chairman)* (appointed on 19 December 2017) | – | 1/1 |
| Mr. Tan Yew Bock (appointed on 19 December 2017) | – | 1/1 |
| Mr. Ong Kian Guan (appointed on 19 December 2017) | – | 1/1 |
| Mr. Chow Wen Kwan (appointed on 19 December 2017) | – | 1/1 |

## AUDITORS' REMUNERATION

In FY2017, the Group engaged PricewaterhouseCoopers ("**PwC**") as the Group's external auditors. The remuneration paid and payable to PwC is set out as follows:

| **Services rendered** | **Fees paid/payable** (S$'000) |
|---|---|
| Statutory audit services | 180 |

In FY2017, the non-audit services provided by PwC included the professional fees as the reporting accountant, internal control consultant and transfer pricing consultant of the Company in relation to the initial public offerings of S$370,240, S$55,536 and S$43,200 respectively.

## COMPANY SECRETARY

Mr. Lau Chung Wai ("**Mr. Lau**") was appointed as the company secretary of our Company on 25 August 2017. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

The contact persons of the Company for Mr. Lau being the external service provider is Ms. Ng Hong Kiew, the Group's Compliance Officer, and Mr. Wang Yingzheng, the Group's Financial Controller, in relation to any corporate secretarial matters.

In FY2017, Mr. Lau has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

## COMPLIANCE OFFICER

Ms. Ng Hong Kiew, an executive Director, is the compliance officer of the Group. Please refer to the section "Biographical details of Directors and Senior Management" for her biographical information.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the senior management are responsible for improving and monitoring the risk management and internal control of the Group. In this regard, the Audit Committee has performed a review of the risk management and internal control system of the Group within the Reporting Period in which the results were summarized and reported to the Board. The Board has also conducted a review of the effectiveness of the risk management and internal control system of the Group. The Group did not have an internal audit function and has engaged PwC to review the internal controls and recommend improvements to increase its effectiveness. The risk management and internal control system of the Group is considered by the Board to be effective.

## FIVE HIGHEST PAID INDIVIDUALS

In FY2017, the emoluments of the five highest paid individuals are within the following band:

| | **Number of individuals** | |
|---|---|---|
| | **2017** | 2016 |
| Emoluments band | | |
| Nil – HK$1,000,000 (equivalent to S$178,571) | **2** | 3 |

Details of the directors' remuneration and five highest paid individuals for FY2017 as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this report.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required by the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for FY2017 have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this report.

## GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The AGM of the Company will be held on 31 May 2018, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the acquisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for Shareholders' Nomination of Directors

Pursuant to article 85 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

**Procedures for directing shareholders' enquiries to the Board**

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (65) 6297 2907 or by email to enquiry@inzign.com.

The addresses of the Company's head office and the Company's share registrars can be found in the "Corporate Information" section of this annual report.

**Investor Relations**

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meetings, public announcements and financial reports. The investors are also able to access the latest news and information of the Group via our website www.inzign.com.

In order to maintain good and effective communication, the Group together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

| | |
|---|---|
| Address: | 16 Kallang Place<br>#02-10<br>Singapore 339156 |
| Email: | enquiry@inzign.com |

**Significant Changes in Constitutional Documents**

The Company adopted the amended and restated memorandum of association on 19 December 2017, a copy which can be found in websites of the Stock Exchange and the Company. Save as disclosed, there has been no significant change in the Company's constitutional documents in FY2017.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the financial year ended 31 December 2017 ("**FY2017**").

## PRINCIPAL ACTIVITIES

The shares of the Company were listed on the GEM of the Stock Exchange on 19 January 2018 (the "**Listing Date**") by way of public offer and placing (collectively, the "**Share Offer**").

The Group is a contract manufacturer based in Singapore that is principally engaged in the manufacture and sale of injection molded plastic parts for disposable medical devices and provision of tooling services.

Pursuant to a group reorganisation completed on 19 December 2017 (the "**Reorganisation**") to rationalise the group structure for the listing of the Company's Share on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**").

## BUSINESS REVIEW

Further discussion and analysis of the activities of the Group in FY2017, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management Discussion and Analysis" of this annual report. Those discussions form part of this directors' report.

## PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principle risks and uncertainties of the Group in FY2017 are set out in Note 3 to the consolidated financial statements.

## RESULT AND APPROPRIATIONS

The results of the Group for the FY2017 are set out in the consolidated statement of comprehensive income in this annual report.

The Board did not propose any issuance of final dividend to shareholders of the Company for FY2017.

## CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 31 May 2018 (Thursday), the register of members of the Company will be closed from 25 May 2018 to 30 May 2018 (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 24 May 2018 in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

Address: Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the three financial years are set out in this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

## ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to ensuring that the Group's operation is in compliance with applicable laws and regulations. As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out in Note 33 to the consolidated financial statements.

## SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 December 2017 was 100 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in Note 23 to the consolidated financial statements.

## EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remuneration of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

## RESERVES

Details of movements in the reserves of the Group in FY2017 are set out in Note 24 to the consolidated financial statements.

As of 31 December 2017, the reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately S$Nil (31 December 2016: S$1.9 million) inclusive of share premium and retained earnings/(accumulated losses).

## DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is available for distributions or payment of dividends to shareholders of the Company subject to the provisions of the Articles, provided that immediately following the distribution of dividends, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

## DIRECTORS

The Directors of the Company during FY2017 and up to the date of this report were:

**Executive Directors**
Mr. Phua Swee Hoe *(Chairman)* (appointed on 17 July 2017)
Ms. Ng Hong Kiew *(Compliance Officer)* (appointed on 17 July 2017)
Mr. Ang Lai Seng (appointed on 25 August 2017)

**Non-executive Director**
Mr. Tay Koon Chuan (appointed 25 August 2017)

**Independent Non-executive Directors**
Mr. Tan Yew Bock (appointed on 19 December 2017)
Mr. Ong Kian Guan (appointed on 19 December 2017)
Mr. Chow Wen Kwan (appointed on 19 December 2017)

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in Note 10 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into service agreements with the Company for an initial fixed term of three years and shall continue thereafter until terminated by either party giving not less than three months' written notice.

Each of the INEDs and non-executive Director has entered into a service agreement with the Company for a term of one year, which may be terminated earlier by no less than one month written notice served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

In accordance with Article 83 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

## PERMITTED INDEMNITY

Subsequent to 31 December 2017, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As the shares of the Company were listed on the GEM on the 19 January 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "**SFO**") as at 31 December 2017.

As at 28 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

*Long positions in shares of the Company*

| Name | Capacity/ Nature of interest | Number of shares held/ interested[1] | Percentage of shareholding |
|---|---|---|---|
| Mr. Phua Swee Hoe ("**Mr. Phua**") | Interest in controlled corporation[2]/ interest of spouse[3] | 300,000,000 (L) | 75% |
| Ms. Ng Hong Kiew ("**Ms. Ng**") | Interest of spouse[3] | 300,000,000 (L) | 75% |

*Notes:*

1. The letter "L" denotes the person's long position in the relevant Shares.

2. All the issued shares of Team One Global are legal and beneficially owned as to 87.9% and 12.1% by Mr. Phua and Ms. Ng, respectively. Accordingly, Mr. Phua is deemed to be collectively interested in 300,000,000 Shares held by Team One Global by virtue of the Securities and Futures Ordinance (SFO).

3. Mr. Phua and Ms. Ng are spouses. Therefore, Mr. Phua is deemed to be interested in shares held by Ms. Ng, and vice versa, pursuant to the SFO.

Save as disclosed above, as at 28 March 2018, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

### B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

So far as known to the Directors, as at 28 March 2018, the following persons/entities (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

*Long positions in shares of the Company*

| Name | Capacity/ Nature of interest | Number of shares held/ interested[1] | Percentage of shareholding |
|---|---|---|---|
| Team One Global Limited | Beneficial owner[2] | 300,000,000 (L) | 75% |

*Notes:*

1. The letter "L" denotes the person's long position in the relevant Shares.

2. All the issued shares of Team One Global are legally and beneficially owned as to 87.9% and 12.1% by Mr. Phua and Ms. Ng, respectively. Accordingly, Mr. Phua is deemed to be collectively interested in 300,000,000 Shares held by Team One Global by virtue of the SFO.

Save as disclosed above, as at 28 March 2018, no other interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under section 336 of the SFO.

## MAJOR CUSTOMERS

In FY2017, the Group's five largest customers accounted for approximately 98.7% (2016: 99.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 47.4% (2016: 48.5%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

## MAJOR SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for approximately 74.8% (2016: 65.8%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 26.0% (2016: 28.4%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 32 to the consolidated financial statements, no transactions, arrangement or contracts of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during FY2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group in FY2017 are disclosed in Note 32 to the consolidated financial statements.

## COMPETITION AND CONFLICT OF INTEREST

During FY2017, according to the GEM Listing Rules, no Directors have interests in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

Save as disclosed, during FY2017, none of the Directors, the controlling shareholders and substantial shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

## COMPLIANCE ADVISOR'S INTERESTS

As at 31 December 2017, as notified by the Company's compliance advisor, Fortune Financial Capital Limited (the "**Compliance Advisor**"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 26 August 2017, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the Listing date 19 January 2018 to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE CODE (THE "CODE")

Since the adoption of the Code, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the adoption of the Code of Conduct.

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 December 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2017.

The principal terms of the Share Option Scheme are summarised as follows:

1. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

2. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

3. The limit on the total number of Shares which may be issued upon exercise of all options under the Share Option Scheme and any other share option schemes which may be adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted must not, in aggregate, exceed 10% of the Shares in issue as at the date of the listing of the Shares of the Stock Exchange, i.e. 19 January 2018 (which shall be 40,000,000 Shares) unless Shareholders' approval has been obtained, and which must not exceed 10% of the Shares in issue from time to time.

4. The total number of Shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting.

5. The total number of Shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting.

6. The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to each participant and shall be at least the higher of: (i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; or (iii) the nominal value of the Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before Listing.

7. (i) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:

   (a) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

   (b) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).

   (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

   (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

   (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

8. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

9. The Share Option Scheme will remain in force for a period of ten years commencing on its adoption date, i.e. 19 December 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

## SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

## SUBSEQUENT EVENTS

The following significant event took place subsequent to 31 December 2017:

On 19 January 2018, the Company issued additional 299,999,900 shares, credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$2,999,999 standing to the credit of the company's share premium account.

On 19 January 2018, the shares of the Company were listed on the Stock Exchange. In connection with the Listing completed on 19 January 2018, the Company issued a total of 100,000,000 ordinary shares were issued at an offer price of HK$0.65 per share for a total proceeds (before related fees and expenses) of HK$65,000,000.

## USE OF PROCEEDS

The net proceeds from the listing (after deducting the underwriting commission and expenses relating to the Share Offer borne by the Company) amounted to approximately S$7.1 million which will be used to enable the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the medical devices plastic injection molding industry.

These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at the date of this annual report, the Directors do not anticipate any change to the plan of use of proceeds as disclosed in the Prospectus.

## AUDITOR

A resolution for the appointment of PricewaterhouseCoopers ("**PwC**") as auditor of the Company will be proposed in the forthcoming AGM.

## AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 19 December 2017 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this annual report, the Audit Committee consists of three members, namely Mr. Ong Kian Guan (Chairman), Mr. Tan Yew Bock and Mr. Chow Wen Kwan.

## REVIEW OF ANNUAL REPORT

This annual report for the financial year ended 31 December 2017 has been reviewed by the Audit Committee of the Company, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

On behalf of the Board
**IAG Holdings Limited**
**Phua Swee Hoe**
*Chairman and Executive Director*

Singapore, 28 March 2018

pwc

羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF IAG HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

*What we have audited*

The consolidated financial statements of IAG Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 48 to 114, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## BASIS FOR OPINION (Continued)

**Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to the impairment of trade receivables.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| **Impairment of trade receivables** | Our procedures in relation to impairment of trade receivables included: |
| Refer to Note 4 "Critical accounting judgments" and Note 19 "Trade and other receivables" to the consolidated financial statements of the Group. | • Understanding and evaluating the Group's credit control procedures regarding the credits granted to customers; |
| As at 31 December 2017, the Group had trade receivables of approximately S$4.8 million. During the year ended 31 December 2017, the Group has not recognised any provision for impairment of trade receivables. | • Checking the ageing profile of the material receivables as at 31 December 2017, on a sample basis, to underlying receivables sub-ledger and sales invoices;<br>• Tracing the corresponding post year-end settlements, on a sample basis, to underlying receivables sub-ledger and bank-in records; and |
| Management performed impairment assessment of trade receivables based on the information including but not limited to the ageing of trade receivables, subsequent settlement status and financial capability of customers. | • Inquiring with management on the likelihood of recoverability of the outstanding trade receivables. |
| We focused on this area because of the size of the trade receivables as at year end, and the judgment involved in evaluating customers' creditability and ability to repay. | We found management's judgments in impairment assessment of trade receivables to be supported by available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated 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 the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 28 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | Note | 2017<br>S$ | 2016<br>S$ |
|---|---|---|---|
| Revenue | 6 | **20,744,095** | 19,016,026 |
| Cost of sales | 9 | **(16,317,954)** | (14,450,234) |
| **Gross profit** | | **4,426,141** | 4,565,792 |
| Other income | 7 | **331,872** | 253,781 |
| Other gains/(losses) – net | 8 | **89,587** | (64,640) |
| Selling and distribution expenses | 9 | **(211,518)** | (203,492) |
| Administrative expenses | 9 | **(4,974,659)** | (2,328,779) |
| **Operating (loss)/profit** | | **(338,577)** | 2,222,662 |
| Finance cost | 11 | **(199,375)** | (228,274) |
| Finance income | 11 | **11,874** | 24,565 |
| Finance costs – net | | **(187,501)** | (203,709) |
| **(Loss)/profit before income tax** | | **(526,078)** | 2,018,953 |
| Income tax expense | 12 | **(295,906)** | (340,748) |
| (Loss)/profit for the year | | **(821,984)** | 1,678,205 |
| **(Loss)/profit and total comprehensive (loss)/income for the year attributable to:** | | | |
| Equity holders of the Company | | **(822,071)** | 1,680,427 |
| Non-controlling interests | | **87** | (2,222) |
| | | **(821,984)** | 1,678,205 |
| | | **S cents** | S cents |
| **(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company** | | | |
| – Basic and diluted | 13 | **(0.27)** | 0.56 |

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 2017<br>S$ | 2016<br>S$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **2,231,273** | 1,734,851 |
| Intangible assets | 15 | **81,282** | 86,404 |
| Financial asset at fair value through profit or loss | 16 | **785,817** | 736,451 |
| | | **3,098,372** | 2,557,706 |
| **Current assets** | | | |
| Inventories | 21 | **1,753,695** | 1,106,932 |
| Trade and other receivables | 19 | **6,184,163** | 3,809,199 |
| Amount due from a shareholder | 20 | **–** | 1,308,653 |
| Cash and cash equivalents | 22 | **1,208,560** | 1,789,377 |
| | | **9,146,418** | 8,014,161 |
| **Total assets** | | **12,244,790** | 10,571,867 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserve attributable to equity holders of the Company** | | | |
| Share capital | 23 | **–** | – |
| Capital reserve | 24 | **3,118,000** | 1,118,000 |
| (Accumulated losses)/retained earnings | 24 | **(288,754)** | 1,883,317 |
| | | **2,829,246** | 3,001,317 |
| Non-controlling interests | | **(8,908)** | (8,995) |
| **Total equity** | | **2,820,338** | 2,992,322 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 2017 S$ | 2016 S$ |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 26 | **389,882** | 468,489 |
| Provision | 28 | **1,426,791** | 1,426,791 |
| Deferred income tax liabilities | 18 | **146,849** | 146,849 |
| | | **1,963,522** | 2,042,129 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **3,362,899** | 2,158,336 |
| Borrowings | 26 | **3,759,301** | 3,015,855 |
| Current income tax liabilities | | **338,730** | 363,225 |
| | | **7,460,930** | 5,537,416 |
| **Total liabilities** | | **9,424,452** | 7,579,545 |
| **Total equity and liabilities** | | **12,244,790** | 10,571,867 |

The consolidated financial statements on pages 48 to 114 were approved for issue by the Board of Directors on 28 March 2018 and were signed on its behalf.

**Mr. Phua Swee Hoe**
*Director*

**Ms. Ng Hong Kiew**
*Director*

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital S$ | Capital reserve S$ | Retained earnings/ (accumulated losses) S$ | Total S$ | Non-controlling interests S$ | Total equity S$ |
| **At 1 January 2016** | | – | 1,118,000 | 202,890 | 1,320,890 | (6,773) | 1,314,117 |
| **Comprehensive income/(loss)** | | | | | | | |
| Profit/(loss) for the year | | – | – | 1,680,427 | 1,680,427 | (2,222) | 1,678,205 |
| **Balance as at 31 December 2016** | | – | 1,118,000 | 1,883,317 | 3,001,317 | (8,995) | 2,992,322 |
| **At 1 January 2017** | | **–** | **1,118,000** | **1,883,317** | **3,001,317** | **(8,995)** | **2,992,322** |
| **Comprehensive (loss)/ profit** | | | | | | | |
| (Loss)/profit for the year | | **–** | **–** | **(822,071)** | **(822,071)** | **87** | **(821,984)** |
| **Transactions with owners recognised directly in equity** | | | | | | | |
| Dividends paid | 30 | **–** | **–** | **(1,350,000)** | **(1,350,000)** | **–** | **(1,350,000)** |
| Contributions from Controlling Shareholders | 23 | **–** | **2,000,000** | **–** | **2,000,000** | **–** | **2,000,000** |
| **Balance as at 31 December 2017** | | **–** | **3,118,000** | **(288,754)** | **2,829,246** | **(8,908)** | **2,820,338** |

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before income tax | (526,078) | 2,018,953 |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | 813,290 | 632,205 |
| – Amortisation of intangible assets | 13,344 | 21,392 |
| – (Gain)/loss on disposal of property, plant and equipment | (19,860) | 41 |
| – Finance cost | 199,375 | 228,274 |
| – Finance income | (11,874) | (24,565) |
| – Fair value gains on financial assets at fair value through profit or loss | (49,366) | (46,084) |
| – Fair value gains on financial liabilities at fair value through profit or loss | – | (967) |
| – Loss on redemption of convertible bond | – | 41,691 |
| – Unrealised currency translation losses | 7,856 | 9,445 |
| Operating profit before working capital changes | 426,687 | 2,880,385 |
| Changes in working capital: | | |
| – Inventories | (646,763) | 202,511 |
| – Trade and other receivables | (1,719,013) | (1,328,997) |
| – Trade and other payables | 1,204,563 | (365,629) |
| Cash (used in)/generated from operations | (734,526) | 1,388,270 |
| Income tax paid | (320,401) | (174,047) |
| Net cash (used in)/generated from operating activities | (1,054,927) | 1,214,223 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | 38,600 | 146 |
| Additions of property, plant and equipment | (690,160) | (95,535) |
| Additions of intangible assets | (8,222) | (620) |
| Interest received | 11,874 | 24,565 |
| Decrease/(increase) in amount due from a shareholder | 1,308,653 | (2,014) |
| Net cash generated from/(used in) investing activities | 660,745 | (73,458) |

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

| | Note | 2017 S$ | 2016 S$ |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | | **5,904,243** | 5,259,698 |
| Repayment of bank borrowings | | **(5,242,685)** | (4,423,704) |
| Repayment of convertible loans | | **–** | (1,500,000) |
| Repayment of finance lease liabilities | | **(336,848)** | (159,112) |
| Listing expenses paid (equity portion) | | **(655,951)** | – |
| Interest expenses paid | | **(199,375)** | (228,274) |
| Contributions from Controlling Shareholders | 23 | **2,000,000** | – |
| Dividends paid | 30 | **(1,350,000)** | – |
| Net cash generated from/(used in) financing activities | | **119,384** | (1,051,392) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(274,798)** | 89,373 |
| Cash and cash equivalents at beginning of the year | 22 | **1,063,444** | 974,191 |
| Effects of currency translation on cash and cash equivalents | | **(7,856)** | (120) |
| Cash and cash equivalents at end of the year | 22 | **780,790** | 1,063,444 |

The notes on pages 54 to 114 are an integral part of these consolidated financial statements.

# 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

## 1.1 General information

The Company was incorporated in the Cayman Islands on 17 July 2017 as an exempted company with limited liability under Companies Law (Cap 22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of injection molded plastic parts for disposable medical devices and the provision of tooling services (the "**Listing Business**"). The immediate and ultimate holding company of the Company is Team One Global Limited ("**Team One Global**"). The controlling parties of the Group are Mr. Phua Swee Hoe and Ms. Ng Hong Kiew (the "**Controlling Shareholders**").

Prior to the completion of the reorganisation as described in Note 1.2 below (the "**Reorganisation**"), the Listing Business was principally operated through companies managed and controlled by the Controlling Shareholders.

On 29 December 2017, the Company issued a prospectus (the "**Prospectus**") and launched an initial public offering of 100,000,000 ordinary shares in the Company offered at an offer price of HK$0.65 per share (the "**Offer Price**"). The shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 January 2018, see Note 36.

## 1.2 Reorganisation

In preparation for listing of the Company's shares on the Stock Exchange, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) On 17 July 2017, the Company was incorporated in the Cayman Islands with limited liabilities with an authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. Upon incorporation, one share was allotted and issued to Team One Global.

(ii) Eastlyn Global Limited ("**Eastlyn Global**") is a company limited by shares incorporated in the British Virgin Islands ("**BVI**") on 10 May 2017. Eastlyn Global is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each. The Controlling Shareholders respectively applied for, and Eastlyn Global allotted and issued to Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, 879 and 121 nil-paid shares, respectively on 1 August 2017.

# 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

## 1.2 Reorganisation (Continued)

(iii) On 14 December 2017, Mr. Phua Swee Hoe and Ms. Ng Hong Kiew entered into a sale and purchase agreement with Eastlyn Global, pursuant to which Mr. Phua Swee Hoe and Ms. Ng Hong Kiew agreed to transfer their respective shares of Inzign Pte Ltd ("**Inzign**"), in consideration of Eastlyn Global crediting as fully paid the 789 and 121 nil-paid shares held by Mr. Phua Swee Hoe and Ms. Ng Hong Kiew in Eastlyn Global.

(iv) On 19 December 2017, Mr. Phua Swee Hoe and Ms. Ng Hong Kiew and the Company entered into a sale and purchase agreement, pursuant to which Mr. Phua Swee Hoe and Ms. Ng Hong Kiew agreed to transfer their respective shares of Eastlyn Global to the Company, in consideration of the Company (i) allotting and issuing 99 shares, credit as fully paid, to Team One Global; and (ii) credit as fully paid the share held by Team One Global which was issued to Team One Global upon the incorporation of the Company.

## 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is mainly conducted through Inzign and its subsidiaries (the "**Operating Companies**"). Pursuant to the Reorganisation, the Operating Companies and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial statements is prepared using the carrying values of the Listing Business under the Controlling Shareholders for all the years presented, or since the respective dates of incorporation/establishment of the subsidiaries within the Group, or since the date when the subsidiaries within the Group first came under the control of the Controlling Shareholders, whichever is later.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by International Accounting Standards Board (the "**IASB**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

*(a) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 34.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.1 Basis of preparation (Continued)

The following new standards and amendments to standards have been published but are not yet effective for the period which the Group has not early adopted:

| | | **Effective for annual periods beginning on or after** | Note |
|---|---|---|---|
| IFRS 10 and IAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture (amendments)[3] | A date to be determined by the IASB | |
| IAS 28 (Amendment) | Investment in associates and joint ventures | 1 January 2018 | |
| IAS 40 (Amendment) | Transfers of Investment Properties | 1 January 2018 | |
| IFRS 1 (Amendment) | First time adoption of IFRS | 1 January 2018 | |
| IFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 | |
| IFRS 4 (Amendment) | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | 1 January 2018 | |
| IFRS 9 | Financial instruments | 1 January 2018 | i |
| IFRS 15 | Revenue from contracts with customers | 1 January 2018 | ii |
| IFRS 15 (Amendment) | Clarification to IFRS 15 | 1 January 2018 | |
| IFRIC 22 | Foreign Currency Transactions and advance consideration | 1 January 2018 | |
| IFRS 9 (Amendment) | Prepayment Features with Negative compensation | 1 January 2019 | |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 | |
| IFRS 16 | Leases | 1 January 2019 | iii |
| IFRS 17 | Insurance Contracts | 1 January 2021 | |

The Group will apply the above new standards, interpretations and amendments to standards when they become effective. The Group has commenced an assessment of the expected impact of the IFRS 9, IFRS 15 and IFRS 16 as set out below. The rest of the new standards, interpretations and amendments to standards are not expected to have a significant effect on the consolidated financial statements of the Group.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.1 Basis of preparation (Continued)

Note i:

IFRS 9 "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the year ended 31 December 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

Note ii:

IFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.1 Basis of preparation (Continued)

Note ii: (Continued)

The Group major revenue stream is namely manufacturing and sales of injection molded plastic parts for disposable medical devices and the provision of tooling services, the performance obligations of which are substantially completed at the same point of time as the respective revenue is recognised in accordance with Note 2.18(a) and (b). Management has performed a preliminary assessment and expects that the implementation of the IFRS 15 would not result in any significant impacts on the Group's financial position and result of operations. Meanwhile, there will be additional disclosure requirement under IFRS 15 upon its adoption.

Note iii:

IFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.19 with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, falling due as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Not later than 1 year | 856,773 | 1,308,775 |
| Later than 1 year and not later than 5 years | 741,346 | 1,622,368 |
| Total | 1,598,119 | 2,931,143 |

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability.

The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to be applied until the financial year ending 31 December 2019, and management expects the impacts on the Group's financial results and position upon the adoption of IFRS 16 are not material.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.2 Subsidiaries

*Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

*Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.2 Subsidiaries (Continued)

*Business combinations (Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## 2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements is presented in Singapore dollars ("**S$**"), which is the Company's functional and Group's presentation currency.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.3 Foreign currency translation (Continued)

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.4 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | Useful lives |
|---|---|
| Air conditioner | 7 years |
| Electrical installations | 7 years |
| Factory equipment and machinery and clean room facilities | 5 to 7 years |
| Factory furniture | 10 years |
| Office equipment, furniture and fittings | 4 years |
| Renovations | 5 years |
| Motor vehicle | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains/losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

## 2.5 Intangible assets

*Trademarks, patents and licences*

Separately acquired trademarks, patents and licences are recognised at historical cost. Trademarks, patents and licences acquired in a business combination are recognised at the acquisition date. Trademarks, patents and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, patents and licences over the estimated useful lives of 3 to 10 years.

## 2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.7 Financial assets

### a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

The Group acquired a life insurance contract which includes both investment and insurance elements. The investment insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at fair values at the end of each reporting period, with changes in fair values recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables comprise "trade and other receivables", "amount due from a shareholder" and "cash and cash equivalents" in the consolidated statement of financial position.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.7 Financial assets (Continued)

### b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses from changes in the fair value of the "financial asset at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

### c) *Impairment*

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such changes in arrears or economic conditions that correlate with defaults.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.7 Financial assets (Continued)

*c) Impairment (Continued)*

Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

## 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## 2.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Borrowings

*(a) Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.13 Borrowings (Continued)

*(b) Convertible bond*

On issuance of the convertible bond, the entire proceeds are designated as a financial liability at fair value through profit or loss. The financial liability is subsequently carried at its fair value with fair value changes recognised in profit or loss. Gains or losses arising from changes in the fair value of the "financial liability at fair value through profit or loss" category are presented in the statement of comprehensive income within "Other gains/(losses) – net" in the period in which they arise.

When an equity conversion option is exercised, the carrying amounts of the financial liability is derecognised with a corresponding recognition of share capital.

### 2.14 Borrowing costs

General and specific 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.

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

### 2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

## 2.15 Current and deferred income tax (Continued)

### (b) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.16 Sales tax

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

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.17 Employee benefits

(a) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction, the specifics of each arrangement and volume discounts.

(a) *Sale of goods*

Sale of goods are recognised when the products are delivered to the customers, which is taken to be the point in time when the customer has accepted the goods and the collectability of the related receivables is reasonably assured.

(b) *Rendering of services*

Rendering of services revenue is recognised in the accounting period in which the services are rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### 2.20 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

### 2.21 Provisions

Provisions for asset reinstatement are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. Provisions are not recognised for future operating loss.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

# 3 FINANCIAL RISK MANAGEMENT

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

## (a) Market risk

### *(i) Foreign exchange risk*

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of sales and purchases that are denominated in currencies other than S$. The foreign currencies giving rise to this risk are primarily United States Dollar ("**USD**"). The exposure to foreign currency risk is not significant during the year.

### *(ii) Interest rate risk*

The Group's interest rate risk arises primarily from bank borrowings and finance lease liabilities. Bank borrowings and finance lease liabilities at variable rates and fixed rates exposes the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The Group manages its interest cost by using a mix of fixed and variable rate debt and to obtain the most favourable interest rates available.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on the consolidated statement of comprehensive income is considered not significant.

## (b) Credit risk

The credit risk of the Group mainly arises from trade and other receivables, amount due from a shareholder and cash and cash equivalents.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The trade receivables of the Group comprise three debtors that represented approximately 90.4% of trade receivables as at 31 December 2017 (2016: 90.3%). The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term. As at 31 December 2017, the Group held net cash and cash equivalents of S$780,790 (2016: S$1,063,444), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future. As at 31 December 2017, the Group's total available banking facilities amounted to approximately S$3,200,000 (2016: S$2,500,000), of which approximately S$2,400,000 (2016: S$1,800,000) have been utilised.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

| | On demand S$ | Less than one year S$ | One to five years S$ | Total S$ |
|---|---|---|---|---|
| **As at 31 December 2017** | | | | |
| Trade and other payables | – | 3,362,899 | – | 3,362,899 |
| Borrowings | 240,921 | 3,232,443 | 100,064 | 3,573,428 |
| Finance lease liabilities | – | 311,555 | 346,425 | 657,980 |
| | 240,921 | 6,906,897 | 446,489 | 7,594,307 |
| **As at 31 December 2016** | | | | |
| Trade and other payables | – | 2,158,336 | – | 2,158,336 |
| Borrowings | – | 2,897,146 | 351,260 | 3,248,406 |
| Finance lease liabilities | – | 165,235 | 146,320 | 311,555 |
| | – | 5,220,717 | 497,580 | 5,718,297 |

The table below analyses the borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

| | Less than one year S$ | Between two and five years S$ | Total S$ |
|---|---|---|---|
| As at 31 December 2017 | 116,194 | 154,925 | 271,119 |

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (d) Capital risk 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including obligations under finance leases) less cash and bank balances. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt.

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Borrowings (Note 26) | **4,149,183** | 3,484,344 |
| Less: Cash and bank balances (Note 22) | **(1,208,560)** | (1,789,377) |
| Net debt | **2,940,623** | 1,694,967 |
| Total equity | **2,820,338** | 2,992,322 |
| Total capital | **5,760,961** | 4,687,289 |
| Gearing ratio | **51%** | 36% |

### (e) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value for the year ended 31 December 2017 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (e) Fair value estimation (Continued)

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| | Level 1<br>S$ | Level 2<br>S$ | Level 3<br>S$ |
|---|---|---|---|
| **As at 31 December 2017** | | | |
| **Assets** | | | |
| Financial assets at fair value through profit or loss | | | |
| – Insurance contract | – | – | 785,817 |

| | Level 1<br>S$ | Level 2<br>S$ | Level 3<br>S$ |
|---|---|---|---|
| **As at 31 December 2016** | | | |
| **Assets** | | | |
| Financial assets at fair value through profit or loss | | | |
| – Insurance contract | – | – | 736,451 |

There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2016 and 2017.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (e) Fair value estimation (Continued)

The following table presents the changes in Level 3 instruments:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Beginning of financial year | **736,451** | 690,367 |
| Fair value gains in consolidated statement of comprehensive income | **49,366** | 46,084 |
| End of financial year | **785,817** | 736,451 |
| **Financial liabilities at fair value through profit or loss** | | |
| Beginning of financial year | **–** | 1,459,276 |
| Fair value gains recognised in consolidated statement of comprehensive income | **–** | (967) |
| Loss on redemption of convertible bonds | **–** | 41,691 |
| Redemption | **–** | (1,500,000) |
| End of financial year | **–** | – |

The fair value of the life insurance contracts purchased for a key management personnel of the Group is determined based on the cash surrender value of the life insurance contracts which is not an observable input. Management estimates the fair value based on the latest information of the life insurance contracts provided by respective insurance companies.

Based on historical change in the cash surrender value of the insurance policy, there is an average increase in cash surrender value of approximately 7% per annum during the year. Applying this percentage of increase/decrease in the cash surrender value, the Group's profit for the year and retained earnings would be increased/decreased by approximately S$102,000 for the year ended 31 December 2017 (2016: S$95,000).

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 financial year are addressed below.

### (a) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables, taking into account the debtors' financial conditions, any recent settlement plan committed by the debtors, and their status of settlement historically and subsequent to period end. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible.

The identification of doubtful debts requires the use of judgment and estimates and the changes in the estimated provision in the past were mainly caused by changes in the above factors underlying the provision assessment. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed. There has been no significant shortfall in these estimates against actual results.

## 5 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Group. The CODM monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment results which in certain respects, set out below, are presented differently from operating profit or loss in the consolidated financial statements of the Group. The Group's reportable operating segments are as follows:

(i) component parts; and
(ii) sub-assembly parts.

## 5 SEGMENT INFORMATION (Continued)

### Segment profit

Segment profit includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly depreciation and amortisation, selling and distribution expenses, administrative expenses, finance cost, finance income, other income and income tax expense.

### Segment assets and liabilities

The CODM does not monitor the measure of total assets and liabilities by each reportable segments due to the nature of the Group's operations.

Segment breakdown for the year ended 31 December 2017:

| | Component parts 2017 S$ | Sub-assembly parts 2017 S$ | Total 2017 S$ |
|---|---|---|---|
| **Segment revenue** | 12,481,848 | 8,262,247 | 20,744,095 |
| **Segment gross profit** | 3,521,704 | 904,437 | 4,426,141 |
| Unallocated expenses: | | | |
| Depreciation | | | (421,222) |
| Amortisation | | | (13,344) |
| Finance costs | | | (199,375) |
| Finance income | | | 11,874 |
| Others | | | (4,330,152) |
| Loss before tax | | | (526,078) |
| Tax expense | | | (295,906) |
| Loss for the year | | | (821,984) |
| **Other segment items:** | | | |
| Depreciation | (266,233) | (125,835) | (392,068) |

## 5 SEGMENT INFORMATION (Continued)

**Segment assets and liabilities** (Continued)

Segment breakdown for the year ended 31 December 2016:

| | Component parts 2016 S$ | Sub-assembly parts 2016 S$ | Total 2016 S$ |
|---|---|---|---|
| **Segment revenue** | 12,050,666 | 6,965,360 | 19,016,026 |
| **Segment gross profit** | 2,184,421 | 2,381,371 | 4,565,792 |
| Unallocated expenses: | | | |
| Depreciation | | | (349,148) |
| Amortisation | | | (21,392) |
| Finance costs | | | (228,274) |
| Finance income | | | 24,565 |
| Others | | | (1,972,590) |
| Profit before tax | | | 2,018,953 |
| Tax expense | | | (340,748) |
| Profit for the year | | | 1,678,205 |
| **Other segment items:** | | | |
| Depreciation | (193,264) | (89,793) | (283,057) |

## 5 SEGMENT INFORMATION (Continued)

### Information about major customers

For the year ended 31 December 2017, revenue generated from our top three customers accounted for approximately 89.7% (2016: 92.7%) of the total revenue of the Group.

External customers who contributed over 10% of total revenue of the Group for the years ended 31 December 2016 and 2017 are as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Customer A | **9,825,726** | 9,223,582 |
| Customer B | **7,277,091** | 5,686,760 |
| Customer C | **1,500,813*** | 2,713,793 |
| | **18,603,630** | 17,624,135 |

* This external customer contributed less than 10% of total revenue of the Group for the year ended 31 December 2017, figures are disclosed for comparative purpose only.

### Geographical segment

The following table shows the distribution of the Group's revenue from external customers based on the geographical location of the customers:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Asia | **13,410,530** | 13,294,266 |
| Europe | **7,291,065** | 5,686,760 |
| Others | **42,500** | 35,000 |
| | **20,744,095** | 19,016,026 |

The following table shows the distribution of the Group's non-current assets by country:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Singapore | **3,073,473** | 2,521,096 |
| Indonesia | **24,899** | 36,610 |
| | **3,098,372** | 2,557,706 |

## 6 REVENUE

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Sale of goods | 19,903,230 | 18,534,935 |
| Rendering of tooling services | 840,865 | 481,091 |
| | 20,744,095 | 19,016,026 |

## 7 OTHER INCOME

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Government grants | 240,037 | 161,796 |
| Sale of scrap material | 91,835 | 91,985 |
| | 331,872 | 253,781 |

## 8 OTHER GAINS/(LOSSES) – NET

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Fair value gains: | | |
| – Financial assets at fair value through profit or loss | 49,366 | 46,084 |
| – Financial liabilities at fair value through profit or loss (Note 26(b)) | – | 967 |
| Currency exchange gains/(losses) – net | 20,361 | (69,959) |
| Gain/(loss) on disposal of property, plant and equipment | 19,860 | (41) |
| Loss on redemption of convertible bond (Note 26(b)) | – | (41,691) |
| | 89,587 | (64,640) |

## 9 EXPENSES BY NATURE

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Costs of inventories sold | **9,759,227** | 8,347,199 |
| Employee benefit expenses (Note 10) | **4,885,588** | 4,637,043 |
| Depreciation of property, plant and equipment (Note 14) | **813,290** | 632,205 |
| Amortisation of intangible assets (Note 15) | **13,344** | 21,392 |
| Rental expenses | **1,462,523** | 1,278,482 |
| Entertainment | **7,822** | 9,586 |
| Repair and maintenance of property, plant and equipment | **474,292** | 506,135 |
| Insurance | **123,085** | 111,752 |
| Travelling expenses | **101,783** | 140,808 |
| Printing and stationery | **32,322** | 18,066 |
| Telephone charges | **24,898** | 24,688 |
| Utilities | **805,257** | 855,583 |
| Advertisement | **62,799** | 57,452 |
| Legal and professional fees | **263,915** | 135,169 |
| Auditor's remuneration | **201,898** | 16,021 |
| Postage and courier service | **3,463** | 5,134 |
| Bank charges | **31,977** | 26,689 |
| Listing expenses | **2,220,502** | – |
| Others | **216,146** | 159,101 |
| | **21,504,131** | 16,982,505 |
| Represented by: | | |
| Cost of sales | **16,317,954** | 14,450,234 |
| Selling and distribution expenses | **211,518** | 203,492 |
| Administrative expenses | **4,974,659** | 2,328,779 |
| | **21,504,131** | 16,982,505 |

# 10 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS

### (a) Employee benefit expenses during the year are as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Wages, salaries and allowances | 3,767,307 | 3,661,245 |
| Incentives | 297,148 | 289,765 |
| Retirement benefit costs – defined contribution plans | 445,209 | 265,169 |
| Others | 376,194 | 420,864 |
| | 4,885,588 | 4,637,043 |

### (b) Directors' emoluments

The emoluments of individual directors of the Company paid/payable by the Group comprising the companies during the years ended 31 December 2016 and 2017 are presented as below:

The remuneration of each director for the year ended 31 December 2017 is set out below:

| | Fees<br>S$ | Salaries, allowances and benefits in kind<br>S$ | Bonus<br>S$ | Employer's contribution to defined contribution plans<br>S$ | Other benefits<br>S$ | Total<br>S$ |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| – Mr. Phua Swee Hoe | – | 228,100 | – | 9,172 | – | 237,272 |
| – Ms. Ng Hong Kiew | – | 104,400 | – | 12,753 | – | 117,153 |
| – Mr. Ang Lai Seng | – | 78,000 | – | 13,930 | – | 91,930 |
| **Non-executive directors** | | | | | | |
| – Mr. Tay Koon Chuan | – | – | – | – | – | – |
| **Independent non-executive directors** | | | | | | |
| – Mr. Tan Yew Bock | – | – | – | – | – | – |
| – Mr. Ong Kian Guan | – | – | – | – | – | – |
| – Mr. Chow Wen Kwan | – | – | – | – | – | – |
| | – | 410,500 | – | 35,855 | – | 446,355 |

## 10 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

### (b) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2016 is set out below:

| | Fees S$ | Salaries, allowances and benefits in kind S$ | Bonus S$ | Employer's contribution to defined contribution plans S$ | Other benefits S$ | Total S$ |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| – Mr. Phua Swee Hoe | – | 228,100 | 76,000 | 9,420 | – | 313,520 |
| – Ms. Ng Hong Kiew | – | 104,400 | 21,750 | 12,188 | – | 138,338 |
| – Mr. Ang Lai Seng | – | 20,000 | 2,763 | 3,785 | – | 26,548 |
| | – | 352,500 | 100,513 | 25,393 | – | 478,406 |

During the years ended 31 December 2016 and 2017, none of the directors of the Company waived any emoluments paid or payable by the Group companies. During the years ended 31 December 2016 and 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

*(i) Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2016 and 2017.

*(ii) Directors' termination benefits*

No payment was made to directors as compensation for the early termination of the appointment for the years ended 31 December 2016 and 2017.

*(iii) Consideration provided to third parties for making available directors' services*

No payment was made to the former employer of directors for making available the services of them as a director of the Company for the years ended 31 December 2016 and 2017.

## 10 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

### (b) Directors' emoluments (Continued)

*(iv) Information about loans, quasi-loans and other dealings in favour of directors, corporate bodies controlled by and connected entities with such directors*

The information about the loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director is disclosed in Note 20.

*(v) Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2016 and 2017.

Mr. Phua Swee Hoe and Ms. Ng Hong Kiew were appointed as the Company's executive directors on 17 July 2017 and Mr. Ang Lai Seng was appointed as the Company's executive director on 25 August 2017. Mr. Tay Koon Chuan was appointed as the Company's non-executive director on 25 August 2017.

Mr. Tan Yew Bock, Mr. Ong Kian Guan and Mr. Chow Wen Kwan were appointed as the Company's independent non-executive directors on 19 December 2017.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company include three directors for the year ended 31 December 2017 (2016: two directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals for the year ended 31 December 2017 (2016: three individuals) are as follows:

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Wages, salaries and allowances | **166,789** | 260,360 |
| Bonuses | **–** | 21,570 |
| Retirement benefit costs | | |
| – defined contribution plans | **23,256** | 36,307 |
| | **190,045** | 318,237 |

## 10 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

### (c) Five highest paid individuals (Continued)

The emoluments of above individuals are within the following band:

| | Number of individuals | |
|---|---|---|
| | **2017** | 2016 |
| Emoluments band | | |
| Nil–HK$1,000,000 (equivalent to S$178,571) | **2** | 3 |

## 11 FINANCE COSTS – NET

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Interest expenses on: | | |
| – Finance lease | **31,285** | 12,379 |
| – Bank overdraft | **34,656** | 35,718 |
| – Term loan | **56,952** | 28,082 |
| – Convertible bond | **–** | 84,375 |
| – Trust receipts | **76,482** | 67,720 |
| | **199,375** | 228,274 |
| Interest income from: | | |
| – Fixed deposit interest income | **–** | (179) |
| – Amount due from a shareholder | **(11,874)** | (24,386) |
| | **(11,874)** | (24,565) |
| Finance costs – net | **187,501** | 203,709 |

## 12 INCOME TAX EXPENSE

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit during the year (2016: 17%).

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Tax expense attributable to profit or loss is made up of: | | |
| Current income tax | **283,157** | 349,976 |
| Deferred income tax (Note 18) | **–** | (9,228) |
| Under provision in prior years | **12,749** | – |
| Income tax expense | **295,906** | 340,748 |

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| (Loss)/profit before income tax | **(526,078)** | 2,018,953 |
| Tax calculated at domestic tax rate of 17% | **(89,433)** | 343,222 |
| Tax effect of: | | |
| – different tax rates in other countries | **121** | (13,164) |
| – income not subject to tax | **(30,177)** | – |
| – expenses not deductible for tax purposes | **455,438** | 103,545 |
| – Singapore statutory income exemption | **(25,925)** | (25,925) |
| – tax incentives | **(20,799)** | (59,120) |
| – under provision in prior years | **12,749** | – |
| – others | **(6,068)** | (7,810) |
| Income tax expense | **295,906** | 340,748 |

## 13 (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 19 December 2017 and the Capitalisation Shares (as defined in Note 23) which took place on 19 January 2018.

| | **2017** | 2016 |
|---|---|---|
| (Loss)/profit attributable to equity holders of the Company (S$) | **(822,071)** | 1,680,427 |
| Weighted average number of ordinary shares in issue (thousands) | **300,000** | 300,000 |
| Basic and diluted (loss)/earnings per share (S cents) | **(0.27)** | 0.56 |

### (b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 31 December 2016 and 2017.

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Air conditioner | Electrical installations | Factory equipment and machinery and clean room facilities | Office equipment, factory furniture, furniture and fittings | Renovation | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **At 1 January 2016** | | | | | | | |
| Cost | 164,140 | 125,948 | 13,795,260 | 1,086,666 | 1,668,883 | 451,598 | 17,292,495 |
| Accumulated depreciation | (71,014) | (72,024) | (13,012,391) | (863,770) | (1,004,594) | (274,057) | (15,297,850) |
| Net book amount | 93,126 | 53,924 | 782,869 | 222,896 | 664,289 | 177,541 | 1,994,645 |
| **Year ended 31 December 2016** | | | | | | | |
| Opening net book amount | 93,126 | 53,924 | 782,869 | 222,896 | 664,289 | 177,541 | 1,994,645 |
| Additions | 5,600 | 25,500 | 94,456 | 14,379 | 232,663 | – | 372,598 |
| Disposals | – | – | – | (187) | – | – | (187) |
| Depreciation (Note 9) | (20,810) | (12,822) | (200,810) | (66,200) | (254,894) | (76,669) | (632,205) |
| Closing net book amount | 77,916 | 66,602 | 676,515 | 170,888 | 642,058 | 100,872 | 1,734,851 |
| **At 1 January 2017** | | | | | | | |
| Cost | **161,906** | **151,448** | **13,663,369** | **1,095,540** | **1,901,546** | **451,598** | **17,425,407** |
| Accumulated depreciation | **(83,990)** | **(84,846)** | **(12,986,854)** | **(924,652)** | **(1,259,488)** | **(350,726)** | **(15,690,556)** |
| Net book amount | **77,916** | **66,602** | **676,515** | **170,888** | **642,058** | **100,872** | **1,734,851** |
| **Year ended 31 December 2017** | | | | | | | |
| Opening net book amount | **77,916** | **66,602** | **676,515** | **170,888** | **642,058** | **100,872** | **1,734,851** |
| Additions | **239,573** | **55,200** | **555,043** | **33,296** | **155,152** | **290,188** | **1,328,452** |
| Disposals | **(1,540)** | **–** | **–** | **–** | **–** | **(17,200)** | **(18,740)** |
| Depreciation (Note 9) | **(47,140)** | **(23,652)** | **(248,718)** | **(69,382)** | **(313,643)** | **(110,755)** | **(813,290)** |
| Closing net book amount | **268,809** | **98,150** | **982,840** | **134,802** | **483,567** | **263,105** | **2,231,273** |

## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of S$392,068 (2016: S$283,057) and S$421,222 (2016: S$349,148) have been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2017.

Included within additions in the consolidated financial statements are factory equipment, machinery, renovation and motor vehicle acquired under finance lease amounting to S$638,292 for the year ended 31 December 2017 (2016: S$44,400). Included within additions in the consolidated financial statements for the year ended 31 December 2016 are provision for reinstatement cost amounting to S$232,663 as disclosed in Note 28.

The carrying amount of machinery under finance leases is S$492,263 as at 31 December 2017 (2016: S$248,257). The carrying amount of office equipment under finance leases is S$nil as at 31 December 2017 (2016: S$63,438). The carrying amount of motor vehicles under finance leases is S$251,841 as at 31 December 2017 (2016: S$84,344). The carrying amount of renovation under finance leases is S$129,727 as at 31 December 2017 (2016: Nil).

## 15 INTANGIBLE ASSETS

| Trademarks and licenses | S$ |
|---|---|
| **At 1 January 2016** | |
| Cost | 162,131 |
| Accumulated amortisation | (54,955) |
| Net book amount | 107,176 |
| **Year ended 31 December 2016** | |
| Opening net book amount | 107,176 |
| Additions | 620 |
| Amortisation (Note 9) | (21,392) |
| Closing net book amount | 86,404 |
| **At 1 January 2017** | |
| Cost | **162,751** |
| Accumulated amortisation | **(76,347)** |
| Net book amount | **86,404** |
| **Year ended 31 December 2017** | |
| Opening net book amount | **86,404** |
| Additions | **8,222** |
| Amortisation (Note 9) | **(13,344)** |
| Closing net book amount | **81,282** |

Intangible assets mainly represent patents and trademarks and license rights for technical know-how relating to the manufacturing processes for microfluidic chips and systems.

## 16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Unlisted investment | | |
| – Life insurance contract | **785,817** | 736,451 |

The life insurance contract relates to an insurance policy insured on a key management of the Company. The insurance policy can be voluntarily terminated before the maturity in May 2040 or the insured event occurs. The key man insurance contract is denominated in S$ and is secured for a loan facility granted by the insurance company to the Company (Note 26).

The change in fair value of other investment during the year is recorded in "other gains/(losses) – net" in the consolidated statement of comprehensive income (Note 8).

For the years ended 31 December 2016 and 2017, the fair values of the life insurance contract were estimated by making reference to the cash surrender values set out in the life insurance contract.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| **Financial assets as per consolidated statement of financial position** | | |
| Financial asset at fair value through profit or loss | **785,817** | 736,451 |
| Loans and receivables | | |
| – Trade and other receivables | **5,400,602** | 3,714,456 |
| – Amount due from a shareholder | **–** | 1,308,653 |
| – Cash and cash equivalents | **1,208,560** | 1,789,377 |
| **Total** | **7,394,979** | 7,548,937 |
| **Financial liabilities as per consolidated statement of financial position** | | |
| Financial liabilities measured at amortised cost | | |
| – Trade and other payables | **3,362,899** | 2,158,336 |
| – Borrowings | **4,149,183** | 3,484,344 |
| **Total** | **7,512,082** | 5,642,680 |

## 18 DEFERRED INCOME TAX

The analysis of deferred income tax liability is as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Deferred income tax liability: | | |
| – Deferred income tax liability to be settled after more than 12 months | **146,849** | 146,849 |

The net movements in the deferred income tax account are as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| At beginning of the year | **146,849** | 156,077 |
| Credited to consolidated statement of comprehensive income (Note 12) | **–** | (9,228) |
| At end of the year | **146,849** | 146,849 |

The movements in deferred income tax during the year are as follows:

Deferred income liability:

| | **Accelerated tax depreciation** S$ |
|---|---|
| At 1 January 2016 | 156,077 |
| Credited to consolidated statement of comprehensive income | (9,228) |
| At 31 December 2016 | 146,849 |
| At 1 January 2017 | **146,849** |
| Credited to consolidated statement of comprehensive income | **–** |
| At 31 December 2017 | **146,849** |

## 18 DEFERRED INCOME TAX (Continued)

The Group takes into account the probability that tax losses carried forward can be utilised against future taxable profits on recognition of deferred income tax assets. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning.

As a result of the assessment of the recoverability of deferred income tax assets, the Group does not recognise deferred income tax assets for tax losses carried forward. The amounts of tax losses carried forward for which deferred income tax assets that are not recognised as at 31 December 2016 and 2017 are as follows:

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Losses carried forward | **248,533** | 248,533 |

The expiration of tax losses carried forward for which deferred income tax assets are not recognised is as follows:

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| 1st Year | **–** | – |
| 2nd Year | **–** | – |
| 3rd Year | **54,025** | – |
| 4th Year | **194,508** | 54,025 |
| 5th Year | **–** | 194,508 |
| | **248,533** | 248,533 |

## 19 TRADE AND OTHER RECEIVABLES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Trade receivables (Note a): | | |
| – Third parties | **4,824,651** | 2,828,192 |
| Goods and services tax receivables | **54,936** | 21,786 |
| Prepayments | **728,625** | 72,957 |
| Deposits | **563,510** | 577,284 |
| Others | **12,441** | 308,980 |
| | **6,184,163** | 3,809,199 |

### (a) Trade receivables

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Trade receivables | **4,824,651** | 2,828,192 |
| Less: provision for impairment of trade receivables | **–** | – |
| | **4,824,651** | 2,828,192 |

The carrying amounts of trade receivables approximate their fair values.

The Group's trade receivables are denominated in the following currencies:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Singapore Dollar | **4,517,986** | 2,587,067 |
| United States Dollar | **306,665** | 241,125 |
| | **4,824,651** | 2,828,192 |

## 19 TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

The Group normally grants credit terms to its customers ranging from 30 to 60 days. The ageing analysis of these trade receivables based on invoice date is as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| 1 to 30 days | **1,838,139** | 1,543,647 |
| 31 to 60 days | **1,801,820** | 590,365 |
| 61 to 90 days | **1,112,246** | 694,180 |
| Over 90 days | **72,446** | – |
| | **4,824,651** | 2,828,192 |

As at 31 December 2017, trade receivables of S$1,186,688 (2016: S$939,583) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Past due but not impaired: | | |
| 1 to 30 days | **1,114,242** | 939,583 |
| 31 to 60 days | **–** | – |
| 61 to 90 days | **–** | – |
| Over 90 days | **72,446** | – |
| | **1,186,688** | 939,583 |

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

## 20 AMOUNT DUE FROM A SHAREHOLDER

The non-trade amount due from a shareholder was denominated in Singapore dollars, unsecured, bears interest at 2% per annum and repayable on demand. The maximum outstanding debit balance during the year ended 31 December 2017 was S$1,308,653 (2016: S$1,308,653). The amount due from a shareholder was fully recovered during the year ended 31 December 2017.

## 21 INVENTORIES

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| **Goods on hand** | | |
| Raw materials | **887,223** | 413,607 |
| Work-in-progress | **212,511** | 204,800 |
| Finished goods | **653,961** | 488,525 |
| | **1,753,695** | 1,106,932 |

The cost of inventories included in cost of sales amounted to S$9,759,227 for the year ended 31 December 2017 (2016: S$8,347,199).

## 22 CASH AND CASH EQUIVALENTS

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Cash and bank balances | **1,208,560** | 1,789,377 |

The Group's cash and cash equivalents are denominated in the following currencies:

| | **2017**<br>**S$** | 2016<br>S$ |
|---|---|---|
| Singapore Dollar | **1,104,615** | 1,776,683 |
| Hong Kong Dollar | **855** | – |
| Indonesia Rupiah | **3,606** | 3,358 |
| Japanese yen | **1,884** | 1,945 |
| Renminbi | **609** | 1,578 |
| United States Dollar | **96,991** | 5,813 |
| | **1,208,560** | 1,789,377 |

## 22 CASH AND CASH EQUIVALENTS (Continued)

For the purpose of presenting the consolidated statement of cash flows, the cash and cash equivalents comprise the following at the end of the reporting period:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Cash and cash equivalents | 1,208,560 | 1,789,377 |
| Bank overdrafts (Note 26(a)) | (427,770) | (725,933) |
| Cash and cash equivalents per statement of cash flows | 780,790 | 1,063,444 |

## 23 SHARE CAPITAL

The paid-in capital of the Group as at 31 December 2016 represented the share capital of Inzign, a subsidiary of the Company. The share capital of the Group as at 31 December 2017 represented the share capital of the Company.

| | Number of shares | Share capital<br>S$ |
|---|---|---|
| **Authorised:** | | |
| At 17 July 2017 (date of incorporation), at HK$0.01 each (Note a) | 38,000,000 | 66,691 |
| Increase in authorised share capital (Note b) | 9,962,000,000 | 17,228,901 |
| At 31 December 2017, at HK$0.01 each | 10,000,000,000 | 17,295,592 |
| **Issued and fully paid:** | | |
| At 17 July 2017 (date of incorporation) (Note a) | 1 | – |
| Issue of shares pursuant to Reorganisation | 99 | – |
| At 31 December 2017, at HK$0.01 each | 100 | – |

## 23 SHARE CAPITAL (Continued)

(a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Island as an exempted company with limited liability on 17 July 2017 with an initial authorised share capital of HK$380,000 (S$66,691) divided into 38,000,000 shares of HK$0.01 (S$0.002) each. 1 share was allotted and issued nil-paid to the subscriber on 17 July 2017, and was subsequently transferred to Team One Global on the same day.

(b) Pursuant to the written resolution of the shareholders of the Company passed on 19 December 2017, the authorised share capital of the Company was increased from HK$380,000 (S$66,691) to HK$100,000,000 (S$17,295,592) by the creation of an additional of 9,962,000,000 shares of HK$0.01 (S$0.002) each, each ranking pari passu with the shares then in issue in all respects.

(c) On 16 December 2017, Mr. Phua Swee Hoe, Ms. Ng Hong Kiew, Eastlyn Global and Inzign entered into a deed of novation ("**Novation**"), pursuant to which Eastlyn Global assumed the obligations and liabilities that Inzign had under a shareholders' loan in the sum of S$2,000,000. The shareholder's loan was advanced to Inzign by Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, in the amounts of S$1,800,000 and S$200,000 respectively, in their capacity as shareholders of Inzign prior to 14 December 2017, the date on which Inzign was transferred to Eastlyn Global. Immediately following the Novation, the amounts of S$1,800,000 and S$200,000 due to Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, respectively, were capitalised by Eastlyn Global through the allotment and issue of 879 and 121 shares, credited as fully paid, to Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, respectively.

On 19 December 2017, as part of the Reorganisation, all the issued shares of Eastlyn Global were transferred from Mr. Phua Swee Hoe and Ms. Ng Hong Kiew to our Company, in consideration of our Company (i) allotting and issuing 99 shares, credited as fully paid, to Team One Global (being the nominee of Mr. Phua Swee Hoe and Ms. Ng Hong Kiew); and (ii) crediting as fully paid the initial share held by Team One Global.

(d) By a shareholder's written resolution dated 19 December 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 299,999,900 shares (the "**Capitalisation Shares**"), credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$2,999,999 standing to the credit of the Company's share premium account. On 19 January 2018, the Company issued the Capitalisation Shares, credited as fully, paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$2,999,999 standing to the credit of the Company' share premium account.

(e) The Company has adopted a share option scheme (the "**Scheme**") on 19 December 2017. The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group. No share options have been granted, exercised or cancelled under the Scheme since its adoption date.

## 24 RESERVES

The reserve movement of the Group is as follows:

| | Note | Capital reserve S$ | Retained earnings/ (accumulated losses) S$ | Total S$ |
|---|---|---|---|---|
| At 1 January 2016 | | 1,118,000 | 202,890 | 1,320,890 |
| **Comprehensive income** | | | | |
| Profit for the year | | — | 1,680,427 | 1,680,427 |
| Balance as at 31 December 2016 | | 1,118,000 | 1,883,317 | 3,001,317 |
| At 1 January 2017 | | **1,118,000** | **1,883,317** | **3,001,317** |
| **Comprehensive loss** | | | | |
| Loss for the year | | **—** | **(822,071)** | **(822,071)** |
| **Transactions with owners** | | | | |
| Dividends paid | 30 | **—** | **(1,350,000)** | **(1,350,000)** |
| Contributions from Controlling Shareholders | 23 | **2,000,000** | **–** | **2,000,000** |
| Balance as at 31 December 2017 | | **3,118,000** | **(288,754)** | **2,829,246** |

Capital reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over nominal value of the share capital of the Company issued in exchange thereof and the contributions from Controlling Shareholders by way of capitalisation of the shareholder's loan.

## 25 TRADE AND OTHER PAYABLES

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Trade payables (Note a) | | |
| – Third parties | **2,091,750** | 1,563,679 |
| Other payables and accruals | | |
| – Accrued expenses | **1,082,073** | 371,650 |
| – Others | **189,076** | 223,007 |
| | **3,362,899** | 2,158,336 |

### (a) Trade payables

As at 31 December 2016 and 2017, the ageing analysis of the trade payables by invoice date is as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| 1 to 30 days | **904,485** | 892,664 |
| 31 to 60 days | **695,576** | 600,777 |
| 61 to 90 days | **450,591** | 59,685 |
| More than 90 days | **41,098** | 10,553 |
| | **2,091,750** | 1,563,679 |

The Group's trade payables are denominated in the following currencies:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Singapore Dollar | **760,600** | 555,140 |
| Euro | **211,860** | 444 |
| Indonesian Rupiah | **2,828** | 58,584 |
| Swiss France | **114,844** | 63,937 |
| United States Dollar | **1,001,618** | 885,574 |
| | **2,091,750** | 1,563,679 |

The carrying amounts of trade payables approximate their fair values.

## 26(a) BORROWINGS

| | 2017 S$ | 2016 S$ |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | 97,783 | 333,844 |
| Finance lease liabilities (Note 27) | 292,099 | 134,645 |
| | 389,882 | 468,489 |
| **Current** | | |
| Bank borrowings | 1,129,327 | 1,090,180 |
| Bank overdrafts | 427,770 | 725,933 |
| Trust receipts | 1,904,880 | 1,046,408 |
| Convertible bond (Note 26(b)) | – | – |
| Finance lease liabilities (Note 27) | 297,324 | 153,334 |
| | 3,759,301 | 3,015,855 |
| Total borrowings | 4,149,183 | 3,484,344 |

As at 31 December 2016 and 2017, the Group's borrowings were repayable as follows:

| | 2017 S$ | 2016 S$ |
|---|---|---|
| Within 1 year | 3,759,301 | 3,015,855 |
| Between 1 and 2 years | 297,154 | 352,682 |
| Between 2 and 5 years | 92,728 | 115,807 |
| | 4,149,183 | 3,484,344 |

## 26(a) BORROWINGS (Continued)

The average effective interest rates per annum at end of each year were set out as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Bank borrowings | **5.0%** | 4.7% |
| Bank overdrafts | **6.3%** | 6.3% |
| Trust receipts | **6.0%** | 6.0% |

The carrying amounts of borrowings of the Group approximate their fair values as at 31 December 2016 and 2017 and are denominated in S$.

Total bank borrowings of S$578,515 as at 31 December 2017 (2016: S$809,667), are secured by personal joint and several guarantee by the Controlling Shareholders. Total bank borrowings of S$100,000 as at 31 December 2017 (2016: S$375,000), are secured by first legal mortgage on a property owned by the Controlling Shareholders. Total bank borrowings of S$648,595 as at 31 December 2017 (2016: S$614,357), are secured by a life insurance policy undertaken by the Company for a key management of the Company (Note 16).

Bank overdrafts are secured by a first legal mortgage on a shareholder's property and personal joint and several guarantee by the shareholders.

Trust receipts are secured by personal joint and several guarantee by the Controlling Shareholders. Total trust receipts of S$1,481,204 as at 31 December 2017 (2016: S$1,046,408), are secured by first legal mortgage on a property owned by the Controlling Shareholders.

## 26(b) CONVERTIBLE BOND

On 30 September 2014, the Group issued convertible bond ("**Bond**") denominated in S$ with a nominal value of S$2,500,000. The Bond carries a coupon of 13.5% per annum, payable quarterly in arrears.

The Bond is due for repayment in two years from the issue date or may be converted in part or all of the outstanding balance into shares of the Group at 50% discount to the IPO price in the event of an IPO or trade sales price. The Bond may be redeemed at any time after 12 months from the date the Bond was issued without penalty.

The Bond is secured by first legal mortgage on the shareholder's property, personal joint and several guarantee by the shareholders and the shareholders collectively pledged 45% of the issued and paid-up ordinary shares of the Company.

## 26(b) CONVERTIBLE BOND (Continued)

The Group redeemed S$1,000,000 of the Bond in cash in 2015. During the year ended 31 December 2016, the Group fully redeemed the remaining outstanding balance amounting to S$1,500,000 in cash.

The Bond recognised in the statement of financial position is analysed as follows:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Beginning of financial year | – | 1,459,276 |
| Fair value gain recognised in statement of comprehensive income | – | (967) |
| Loss on redemption | – | 41,691 |
| Redemption | – | (1,500,000) |
| End of financial year | – | – |

Loss on redemption is as follows:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Amount paid | – | 1,500,000 |
| Less: Fair value at date of redemption | – | (1,458,309) |
| Loss on redemption | - | 41,691 |

## 27 FINANCE LEASE LIABILITIES

The Group leases certain property, plant and equipment and motor vehicles from third parties under finance leases. As at 31 December 2016 and 2017, the Group's finance leases were repayable as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Minimum lease payments due | | |
| – Not later than 1 year | **311,555** | 165,235 |
| – Later than 1 year and not later than 5 years | **346,425** | 146,320 |
| | **657,980** | 311,555 |
| Less: Future finance charges | **(68,557)** | (23,576) |
| Present value of finance lease liabilities | **589,423** | 287,979 |

The present values of finance lease liabilities are analysed as follows:

| | **2017** **S$** | 2016 S$ |
|---|---|---|
| Not later than 1 year (Note 26(a)) | **297,324** | 153,334 |
| Later than one year (Note 26(a)) | | |
| – Later than 1 year and not later than 5 years | **292,099** | 134,645 |
| Total | **589,423** | 287,979 |

Total obligations under finance leases of S$408,962 as at 31 December 2017 (2016: S$220,122), are secured by personal guarantees by the shareholders of the Company.

Effective interest rates on the finance leases was 4.43% per annum during the year ended 31 December 2017 (2016: 3.17%).

## 28 PROVISION

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Non-current | | |
| Provision for reinstatement cost | **1,426,791** | 1,426,791 |

Provision for reinstatement costs were recognised for the expected costs associated with restoring the leased office and factory space by the Group upon expiry of leases from landlords to its original condition based on the requirements of the lease contract. Provision for reinstatement costs is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased office and factory space. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available.

Movement in provision for reinstatement cost is as follows:

| | 2017<br>S$ | 2016<br>S$ |
|---|---|---|
| Beginning of financial year | **1,426,791** | 1,194,128 |
| Provision made | **–** | 232,663 |
| End of financial year | **1,426,791** | 1,426,791 |

## 29 OPERATING LEASE COMMITMENTS

The Group leases office premises from third parties under non-cancellable operating lease agreement.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **S$** | S$ |
| Not later than 1 year | **856,773** | 1,308,775 |
| Later than 1 year and not later than 5 years | **741,346** | 1,622,368 |
| | **1,598,119** | 2,931,143 |

The Group has no other material commitments as at 31 December 2016 and 2017.

## 30 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends paid during the year ended 31 December 2017 represented dividends declared by a company now comprising the Group to the then equity holders of the Company for the year ended 31 December 2017. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

## 31 CONTINGENCIES

In November 2014, the Group commenced legal proceedings against one of its suppliers ("**Defendant**"). In January 2015, the Defendant filed a defence and counterclaim against the Group. In March 2018, the trial of the above legal proceedings were heard before the Singapore Courts and the trial judge granted judgment including expenses in favour of the Defendant of approximately S$127,000. As at the date of this report, both the Group and the Defendant have filed their Notices of Appeal and the date of the hearing before the Court of Appeal has not been fixed. The Board of Directors, pursuant to the advice from the Company's legal advisor, is of the opinion that the Group has valid grounds to appeal and as such, it is likely that the Defendant's counterclaim against the Group will not succeed.

## 32 RELATED PARTY TRANSACTIONS

For the purposes of this consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals were related parties that had material transactions or balances with the Group during the years ended 31 December 2016 and 2017:

| **Name** | **Relationship with the Group** |
|---|---|
| Mr. Phua Swee Hoe | A shareholder and executive director of the Company |
| Ms. Ng Hong Kiew | Spouse of the executive director of the Company |

In addition to the related party information disclosed elsewhere in this consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

### (a) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 10(b).

## 33 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries at 31 December 2017:

| Company name | Country/place of incorporation/ establishment | Registered/ issued and paid-up capital | Principal activities/ place of operation | Proportion of ordinary shares directly held by parent | Proportion of ordinary shares held by the Group |
|---|---|---|---|---|---|
| **Directly held by the Company** | | | | | |
| Eastlyn Global Limited | British Virgin Islands | US$2,000 | Investment holding/ Singapore | 100% | 100% |
| **Indirectly held by the Company** | | | | | |
| Inzign Pte Ltd | Singapore | S$1,118,000 | Manufacturing of plastics articles and products/Singapore | – | 100% |
| P.T. Inzign | Indonesia | RP443,750,000 | Manufacturing of plastics articles and products/Indonesia | – | 99% |
| Medizign Pte Ltd | Singapore | S$1,000 | Dormant/Singapore | – | 100% |

## 34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

| | **2017 S$** | 2016 S$ |
|---|---|---|
| Net book amount | **18,740** | 187 |
| Gain/(loss) on disposal of property, plant and equipment | **19,860** | (41) |
| Proceeds from disposal of property, plant and equipment | **38,600** | 146 |

## 34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2016 and 2017:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 1 January 2017 | Principal and interest payments | Interest expense | Acquisition | 31 December 2017 |
| | S$ | S$ | S$ | S$ | S$ |
| Bank borrowings and trust receipts | 2,470,432 | 528,124 | 133,434 | – | 3,131,990 |
| Finance lease liabilities | 287,979 | (368,133) | 31,285 | 638,292 | 589,423 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 1 January 2016 | Principal and interest payments | Interest expense | Acquisition | 31 December 2016 |
| | S$ | S$ | S$ | S$ | S$ |
| Bank borrowings and trust receipts | 1,634,438 | 740,192 | 95,802 | — | 2,470,432 |
| Finance lease liabilities | 402,691 | (171,491) | 12,379 | 44,400 | 287,979 |

Non-cash transactions:

On 16 December 2017, Mr. Phua Swee Hoe, Ms. Ng Hong Kiew, Eastlyn Global and Inzign entered into a deed of novation ("**Novation**"), pursuant to which Eastlyn Global assumed the obligations and liabilities that Inzign had under a shareholders' loan in the sum of S$2,000,000. The shareholder's loan was advanced to Inzign by Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, in the amounts of S$1,800,000 and S$200,000 respectively, in their capacity as shareholders of Inzign prior to 14 December 2017, the date on which Inzign was transferred to Eastlyn Global. Immediately following the Novation, the amounts of S$1,800,000 and S$200,000 due to Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, respectively, were capitalised by Eastlyn Global through the allotment and issue of 879 and 121 shares, credited as fully paid, to Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, respectively.

## 35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| | Note | 2017 S$ |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investment in a subsidiary | | 5,220,840 |
| | | 5,220,840 |
| **Current assets** | | |
| Trade and other receivables | | 655,951 |
| | | 655,951 |
| **Total assets** | | 5,876,791 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital | | – |
| Capital reserve | a | 5,220,839 |
| Accumulated losses | a | (2,400,502) |
| **Total equity** | | 2,820,337 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Amount due to subsidiaries | b | 2,261,281 |
| Trade and other payables | | 795,173 |
| | | 3,056,454 |
| **Total liabilities** | | 3,056,454 |
| **Total equity and liabilities** | | 5,876,791 |

As at 31 December 2016, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

**Mr. Phua Swee Hoe**
*Director*

**Ms. Ng Hong Kiew**
*Director*

## 35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Reserve movement of the Company

| | Capital reserve S$ | Accumulated losses S$ | Total S$ |
|---|---|---|---|
| At 17 July 2017 (date of incorporation) (Note a) | – | – | – |
| Surplus arising on issue of shares in connection with the Reorganisation (Note 1.2) | 5,220,839 | – | 5,220,839 |
| Loss for the period | – | (2,400,502) | (2,400,502) |
| **At 31 December 2017** | **5,220,839** | **(2,400,502)** | **2,820,337** |

Note: Capital reserve of the Company represents the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereon.

**(b)** The carrying amount of the amount due to subsidiaries of the Company is denominated in S$. The amount is unsecured, interest-free and repayable on demand.

## 36 EVENTS AFTER THE BALANCE SHEET DATE

The following significant event took place subsequent to 31 December 2017:

On 19 January 2018, the Company issued additional 299,999,900 shares, credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$2,999,999 standing to the credit of the Company's share premium account.

On 19 January 2018, the shares of the Company were listed on the Stock Exchange. In connection with the Listing completed on 19 January 2018, the Company issued a total of 100,000,000 ordinary shares at a price of HK$0.65 per share for a total proceeds (before related fees and expenses) of HK$65,000,000.

A summary of the results and of the assets and liabilities of the Group for the last three years is as follow.

| | 2017<br>S$'000 | 2016<br>S$'000 | 2015<br>S$'000 |
|---|---|---|---|
| Revenue | **20,744** | 19,016 | 17,680 |
| Cost of sales | **(16,318)** | (14,450) | (14,043) |
| **Gross profit** | **4,426** | 4,566 | 3,637 |
| Other income | **332** | 254 | 404 |
| Other gains/(losses) – net | **90** | (65) | 142 |
| Selling and distribution expenses | **(212)** | (203) | (207) |
| Administrative expenses | **(4,831)** | (2,329) | (2,235) |
| **Operating (loss)/profit** | **(195)** | 2,223 | 1,741 |
| Finance cost | **(199)** | (228) | (428) |
| Finance income | **12** | 24 | 25 |
| Finance costs – net | **(187)** | (204) | (403) |
| **(Loss)/profit before income tax** | **(382)** | 2,019 | 1,338 |
| Income tax expense | **(320)** | (341) | (252) |
| (Loss)/profit for the year | **(702)** | 1,678 | 1,086 |
| **(Loss)/profit and total comprehensive (loss)/income for the year attributable to:** | | | |
| Equity holders of the Company | **(702)** | 1,680 | 1,086 |
| Non-controlling interests | **–** | (2) | – |
| | **(702)** | 1,678 | 1,086 |

# FINANCIAL SUMMARY

For the year ended 31 December 2017

| | 2017<br>S$'000 | 2016<br>S$'000 | 2015<br>S$'000 |
|---|---|---|---|
| **Asset and liabilities** | | | |
| Total assets | **12,244** | 10,572 | 9,137 |
| Total liabilities | **9,424** | 7,580 | 7,823 |
| Net assets | **2,820** | 2,992 | 1,314 |
| **Equity** | | | |
| Capital and reserve attributable to equity holders of the Company | **2,829** | 3,001 | 1,321 |
| Non-controlling interests | **(9)** | (9) | (7) |
| Total equity | **2,820** | 2,992 | 1,314 |

Notes: The summary of the consolidated results of the Group for each of the two years ended 31 December 2015 and 2016 and of the assets, equity and liabilities as at 31 December 2015 and 2016 have been extracted from the Prospectus.

The financial information for the years ended 31 December 2013 and 2014 were not disclosed as the consolidated financial statement for the Group have not been prepared for these years. The summary above does not form part of the audited financial statements.