Annual Report

2018

IAG Holdings Limited
迎宏控股有限公司

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

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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)*
Ms. Ng Hong Kiew *(Head of finance and administration)*
Mr. Ang Lai Seng *(Chief operating officer)* (resigned as director on 22 February 2019)

Non-executive Director:

Mr. Tay Koon Chuan

Independent Non-executive Directors:

Mr. Tan Yew Bock
Mr. Ong Kian Guan
Mr. Chow Wen Kwan
Mr. Lau Yau Chuen Louis (appointed as director on 15 June 2018)

AUDIT COMMITTEE

Mr. Ong Kian Guan *(Chairman)*
Mr. Tan Yew Bock
Mr. Chow Wen Kwan
Mr. Lau Yau Chuen Louis

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
43/F, COSCO Tower,
183 Queen's Road Central,
Hong Kong

LEGAL ADVISOR

As to Hong Kong law
Robertsons
57/F, The Center
99 Queen's Road Central
Hong Kong

STOCK CODE

8513

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTER 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 2018 (the "**Relevant Period**" or the "**Reporting Period**") to you.

2018 was a challenging year for the Group that includes economic uncertainties caused by the US/China tariff war which triggered a fall in global business and consumer confidence. For the financial year ended 31 December 2018 ("**FY2018**"), the Group recorded a decrease in revenue of approximately S$4.2 million or 20.5% to approximately S$16.5 million compared with the financial year ended 31 December 2017 ("**FY2017**"). Such decrease was mainly due to the impact arising from customer's transition to new products. The Group has recorded a net loss of approximately S$3.1 million, representing a decrease of approximately S$2.3 million as compared to the net loss of approximately S$0.8 million in FY2017. The net loss was mainly attributable to a) the decrease in revenue; and b) decrease in gross profit and profit margin due to a change in product mix.

Going forward, the Group may experience some volatility due to customers' new product/platform transitions and uncertainties in the global trade dispute. Nevertheless, the Group believes that with its experience and production know-how, it is strategically well-positioned to manage its business and capitalize on opportunities which may arise in future. The Group is assisting a customer to obtain product certification/approval for a product that is recently launched overseas. Upon successfully obtaining such certification/approval by the customer, the Group will be able to start producing this product for the customer. The Group remains focused on delivering high quality and reliable products and identifying new customers.

I would like to express my sincere appreciation to our Board for their invaluable guidance and contribution and my deepest gratitude to our hardworking management team and staff for their dedication to the Group and their tenacity during these challenging times. I would also like to thank our shareholders, customers and business associates for their continuous support to our business.

Mr. Phua Swee Hoe
Chairman and Executive Director

Singapore, 29 March 2019

BUSINESS REVIEW

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

For the financial year ended 31 December 2018 ("**FY2018**"), the Group recorded a net loss of approximately S$3.1 million as compared to the net loss of approximately S$0.8 million for the year ended 31 December 2017 ("**FY2017**"). The Directors are of the view that the net loss was mainly attributable to a) decrease in revenue of approximately S$4.2 million; and b) decrease in gross profit of approximately S$2.5 million. The mounting trade tensions and global economy uncertainties have resulted in a fall in our customers' orders in FY2018. Nevertheless, the Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in the Group's business.

OUTLOOK

The Group may experience some volatility in the near term from customers' new product/platform transitions and escalation in the global trade dispute. The Group remains focused on sustaining operational excellence and continues to strengthen its manufacturing product development capabilities. The Group will also focus its effort on developing new customers. With its experience and production know-how, the Group will continue to strive and achieve its business strategies.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately S$4.2 million or 20.5% from approximately S$20.7 million in FY2017 to approximately S$16.5 million in FY2018. The decrease was mainly due to a change in production and shipments requirement from one of its customers.

Cost of sales

The Group's cost of sales decreased by approximately S$1.7 million or 10.6% from approximately S$16.3 million in FY2017 to approximately S$14.6 million in FY2018. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

The Group's overall gross profit decreased by approximately S$2.5 million or 56.8% from S$4.4 million in FY2017 to approximately S$1.9 million in FY2018. The Group's overall gross profit margin has decreased from approximately 21.3% in FY2017 to approximately 11.6% in FY2018. Such decrease was mainly due to a change in product mix.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately S$0.1 million or 34.9% from approximately S$0.2 million in FY2017 to approximately S$0.3 million for FY2018. The increase was primarily due to recruitment of three additional sales staff during the year.

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

Administrative expenses

The Group's administrative expenses decreased by approximately S$0.5 million or 8.9% from approximately S$5.0 million for FY2017 to approximately S$4.5 million for FY2018.

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.

Such decrease was primarily due to the decrease in non-recurring listing expenses of S$0.8 million and partly off-set by the increase in legal and professional fees mainly relating to post-listing continuing obligations of S$0.2 million and the increase in directors remuneration of approximately S$0.3 million.

Loss for the Year

The Group has reported a net loss of approximately S$3.1 million in FY2018 as compared to a net loss of approximately S$0.8 million in FY2017.

Final Dividend

The Board did not recommend the payment of a final dividend for FY2018.

LIQUIDITY AND FINANCIAL RESOURCES

In FY2018, the Group financed its operations by cash flow from internally generated funds and bank borrowings.

The current ratio, being the ratio of current assets to current liabilities, was approximately 3.1 times as at 31 December 2018 (2017: 1.2 times). The increase was mainly due to the higher balances of cash and cash equivalents as at 31 December 2018 due to receipt of net proceeds from the public offer and placing of 100,000,000 shares with nominal value of HK$0.01 each at the price of HK$0.65 per Share on GEM of the Stock Exchange (the "**Share Offer**"). The gearing ratio, being the ratio of interest-bearing bank and other borrowings to total equity, was approximately 0.2 times as at 31 December 2018 (2017: 1.5 times). The decrease was mainly due to share premium and partial repayment of borrowings.

As at 31 December 2018 and 2017, the Group has cash and cash equivalents of approximately S$6.4 million and S$1.2 million, respectively, which were denominated mainly in Singapore dollars, United States dollars and Hong Kong dollars.

As at 31 December 2018, the Group had available credit facilities from banks for bank overdrafts and trust receipts of approximately S$3.3 million of which approximately S$1.7 million was unutilized. Approximately S$1.6 million was utilized in the form of trust receipts.

The Group also had finance leases liabilities of approximately S$0.2 million and bank borrowings liabilities of approximately S$0.4 million. The Group's total borrowings amounted to approximately S$2.1 million.

Finance Lease Liabilities

The 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 2017 and 2018.

	2018 **S$'000**	2017 S$'000
Not later than one year	**86**	297
Later than one year but not more than five years	**96**	292
	182	589

Pledge of Assets

The total bank borrowings amounting to S$0.3 million as at 31 December 2018 (2017: S$0.6 million) are secured by an insurance contract relating to a life insurance policy undertaken by the Company for a key management of the Company.

Commitments

Capital commitments

Capital expenditures contracted as at balance sheet date but not recognised in the financial statements are as follows:

	2018 S$'000	2017 S$'000
Property, plant and equipment	680	—

The Group has committed to purchase one unit of high precision vertical machine, and the Group has made a down payment of S$270,000 as at 31 December 2018 (2017: Nil).

Operating leases commitments

The Group leases office premises and copiers 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 and copiers are as follows:

	2018 S$'000	2017 S$'000
Not later than 1 year	1,368	857
Later than 1 year and not later than 5 years	3,990	741
	5,358	1,598

Minimum lease payments for office premise recognised as an expense in FY2018 amounted to approximately S$1.5 million (FY2017: S$1.5 million).

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 judgement 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 appeals before the Court of Appeal have been scheduled to be heard between 1 April and 12 April 2019. The Board of Directors, pursuant to the advice from the Company's legal advisor, is of the opinion that it would be premature to estimate the Group's potential liability based on the status of the appeals. Accordingly, no contingent liability has been recognised as the potential liability cannot be measured reliably.

Employee Information

As at 31 December 2018, the Group had a total of 131 employees (2017:133). Below is a breakdown of the number of our employees by functions.

	2018	2017
Management	**14**	11
Finance	**3**	4
Sales and marketing	**4**	1
Operation	**48**	62
Quality assurance	**18**	20
Product development/Engineering	**42**	33
Human resources	**2**	2
	131	133

Our employees are remunerated according to their job scope and responsibilities. We have adopted a policy on affirmative actions which directs all employees of the Group to make special efforts in all areas of life and work at the Group with the intent to create a harmonious working environment for our staff. We also provide on-the-job training whilst staff are employed by the Group and offer financial support to our full-time staff who have been employed by the Group for over one year to attend courses for career development. We offer our staff remuneration that includes salary and other benefits.

Total staff costs amounted to approximately S$5.2 million in FY2018. (FY2017: S$4.7 million).

Significant Investment Held

Except for the investment in its subsidiaries as at 31 December 2017 and 2018, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposal
The Group did not have any material acquisition or disposal of subsidiaries in FY2018.

Use of proceeds
The net proceeds from the Share Offer were approximately S$6.0 million after deduction of listing expenses. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus dated 29 December 2017.

An analysis of the net proceeds utilized up to 31 December 2018 is set out as follows:

	Planned use of net proceeds from the Listing Date to 31 December 2018	Actual utilised amount up to 31 December 2018	Total unused net proceeds as at 31 December 2018	Total net proceeds
	S$'000	S$'000	S$'000	S$'000
Develop and strengthen injection moulding for microfluidics, liquid silicon rubber and sterile packaging	1,395	128	3,982	4,110
Improve and expand tooling capacities	650	270	380	650
Hire sales and marketing staff	210	68	342	410
Establish the new technical department	155	155	145	300
Upgrade information technology system	30	2	88	90
Increase sales and marketing services	30	30	30	60
General working capital	330	330	—	330
	2,800	983	4,967	5,950

In FY 2018, the Group has not fully utilised the planned net proceeds to develop and strengthen injection moulding business and to improve and expand tooling capacities due to a customer's transition to new products and the change in the customer's requirements on sterile packaging which resulted in the delay of purchase of relevant machinery. Further, there was a delay in the hiring of sales and marketing staff and implementation of upgrading information technology system which resulted in lower utilisation of net proceeds planned for such purposes. Apart from such changes, the Directors are not aware of any material change to the planned use of proceeds.

Foreign Exchange exposure
The turnover and business costs of the Group were principally denominated in Singapore Dollar. The Group has exposure to foreign exchange risk as a result of purchases that are denominated in currencies other than Singapore Dollar. The foreign currency giving rise to this risk is primarily the United States Dollar. The exposure to foreign currency risk is not significant for both financial reporting years and no financial instrument for hedging was employed.

Subsequent Events
Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that had come into the attention of the Directors since the end of FY2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Phua Swee Hoe (潘瑞河), aged 62, is one of the founders of the Group and has been serving as a director of Inzign Pte Ltd ("**Inzign**"), a subsidiary of the Company, since May 1981. He is also a director of P.T. Inzign and Medizign Pte Ltd.. 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 the Group on 25 August 2017. He is primarily responsible for the overall management, strategic direction and business development of the 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 the 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 59, joined the 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 the 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 the 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 the 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.

NON-EXECUTIVE DIRECTOR

Mr. Tay Koon Chuan (鄭琨荃) ("Mr. Tay"), aged 58, joined the 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 the 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 the 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 59, 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 the 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 51, 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 45, 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.

Mr. Lau Yau Chuen Louis (劉友專), aged 42, was appointed as an independent non-executive Director on 15 June 2018. He is a member of the audit committee.

Mr. Lau graduated from City University of Hong Kong and is a member of the Association of Chartered Certified Accountants. He has around 18 years of financial reporting, audit and compliance experiences gained from international certified public accounting firms and listed companies. He is currently the chief financial officer of Millennium Pacific Group Holdings Limited (stock code: 8147), an electronic manufacturing company whose shares are listed on GEM of the Stock Exchange. Mr. Lau is also an independent non-executive director of i.century Holding Limited (stock code: 8507), a company providing apparel supply chain management services whose shares are listed on GEM of the Stock Exchange, since March 2018. Mr. Lau was the company secretary of China Innovative Financial Group Limited (now known as China Shandong Hi-Speed Financial Group Limited) (stock code: 412), a financial investment service company whose shares are listed on the Main Board of the Stock Exchange, from May 2015 to May 2017. Mr. Lau was an executive director and the financial controller of Artini China Co. Ltd. (stock code: 789) (now known as Primeview Holdings Limited), a company primarily involved in design, manufacturing, retailing and distribution and concurrent design manufacturing of fashion accessories whose shares are listed on the Main Board of the Stock Exchange, from May 2010 to July 2011.

SENIOR MANAGEMENT

Mr. Foo Chee Wee (符致輝) ("Mr. Foo"), aged 53, first joined the Group in November 2005 and promoted to operations manager on 1 February 2019. He is primarily responsible for managing and leading the production operations of Inzign. Prior to that, he was the senior manager of the sales and customer service department.

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 the 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 the 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 the Group. Mr. Foo rejoined the 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 49, joined the 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 the 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.

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 36, 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 14 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 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.

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 financial year ended 31 December 2018 ("**FY2018**").

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 is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**Code**") in Appendix 15 to the GEM Listing Rules. Save for Code Provision A.2.1, the Company had complied with the code provisions in the Code from the Listing Date to the date of this annual report.

Paragraph A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Phua currently holds both positions. Considering that Mr. Phua has been operating and managing the Group since 1981, the Board consider Mr. Phua is the best candidate for both positions and the present arrangement is beneficial and in the interests of the Company and its shareholders as a whole.

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**").

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibility such as approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "**Management**").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval form the Board before making decisions or entering into any commitments on behalf of the Company.

Board Composition

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

Executive Directors

Mr. Phua Swee Hoe *(Chairman and Chief Executive Officer)*
Ms. Ng Hong Kiew *(Compliance officer)*
Mr. Ang Lai Seng *(Chief operating officer)* (resigned on 22 February 2019)

Non-executive Director

Mr. Tay Koon Chuan

Independent Non-executive Directors

Mr. Tan Yew Bock
Mr. Ong Kian Guan
Mr. Chow Wen Kwan
Mr. Lau Yau Chuen Louis (appointed on 15 June 2018)

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of four INEDs 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 judgement.

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 GEM 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.

Meetings

In FY2018, one general meeting and four regular Board meetings were held.

The attendance of the respective Directors at the meetings held in FY2018 are set out below:

	Attendance record of meetings held in 2018				
	Annual General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Phua Swee Hoe *(Chairman)*	1/1	4/4	N.A.	1/1	1/1
Ms. Ng Hong Kiew	1/1	4/4	N.A.	N.A.	N.A.
Mr. Ang Lai Seng (resigned on 23 February 2019)	1/1	4/4	N.A.	N.A.	N.A.
Non-executive Director					
Mr. Tay Koon Chuan	1/1	3/4	N.A.	N.A.	N.A.
Independent non-executive Directors					
Mr. Tan Yew Bock	1/1	3/4	4/4	1/1	1/1
Mr. Ong Kian Guan	0/1	4/4	4/4	1/1	1/1
Mr. Chow Wen Kwan	1/1	2/4	3/4	N.A.	1/1
Mr. Lau Yau Chuen (appointed on 15 June 2018)	N.A.	2/4	2/4	N.A.	N.A.

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry made with all the Directors, each of them has confirmed that they have fully complied with the required standard of dealings throughout the period from the Listing Date to the date of this report, and no incident of non-compliance was noted by the Company during such period.

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 FY2018, 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 four members, namely Mr. Ong Kian Guan (Chairman), Mr. Tan Yew Bock, Mr. Chow Wen Kwan and Mr. Lau Yau Chuen Louis 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.

In FY2018, four Audit Committee meetings were held and the members' attendance is shown on page 19 of this annual report.

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.

The major roles and functions of the Audit Committee are as follows:

(i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;

(ii) to discuss with the external auditor the nature and scope of the audit;

(iii) to review the quarterly, interim and annual financial statements before submission to the Board;

(iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(v) to review the external auditor's management letter and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and

(vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

Pursuant to the meetings of the Audit Committee, the Audit Committee had discussed internal controls and financial reporting matters for FY2018. The Audit Committee had also reviewed audited annual results for FY2018, 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.

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.

In FY2018, one Remuneration Committee meeting was held and the members' attendance is shown on page 19 of this annual report.

The major roles and functions of the Remuneration Committee are as follows:

(i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;

(ii) to review annually the performance of the executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;

(iii) to review and recommend the compensation payable to executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) be responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his associates is involved in deciding his own remuneration.

In FY2018, the Remuneration Committee has reviewed and made recommendation on the remuneration package of senior management of the Group.

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.

In FY2018, one Nomination Committee meeting was held and the members' attendance is shown on page 19 of this annual report.

The major roles and functions of the Nomination Committee are as follows:

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

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

(iii) to assess the independence of INEDs;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and

(v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

AUDITOR'S REMUNERATION

In FY2018, 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)
Audit services	224
Non-audit services	9
	233

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 Ms. Ng Pei Eng, the Group's Chief Financial Officer, in relation to any corporate secretarial matters.

In FY2018, 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 Crowe Horwath First Trust Risk Advisory Pte Ltd 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.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to endure 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 FY2018 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.

COMMUNICATION WITH SHAREHOLDERS

The Company strives for maintaining effective and on-going communication with and timely disclosing useful information to the shareholders and potential investors of the Company. The Directors hold annual general meeting yearly to meet the shareholders of the Company, and publish and distribute annual, interim and quarterly reports for providing updated financial performance and business developments of the Company to the shareholders of the Company.

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 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.

Procedures for putting forward proposals at general meetings by Shareholders

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquires and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the head office and principal place of business of the Company or directly by raising questions at the general meeting of the Company.

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
#02-10
Singapore 339156

Email: enquiry@inzign.com

Significant Changes in Constitutional Documents

There were no significant changes in the Company's constitutional documents in FY2018.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the financial year ended 31 December 2018 ("**FY2018**").

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group in FY2018, 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 principal risks and uncertainties of the Group in FY2018 are set out in Note 3 and Note 4 to the consolidated financial statements.

RESULT AND APPROPRIATIONS

The results of the Group for the FY2018 are set out in the consolidated statement of comprehensive income in this annual report.

The Board did not propose any final dividend to shareholders of the Company for FY2018.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 27 May 2019 (Monday), the register of members of the Company will be closed from 22 May 2019 to 27 May 2019 (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 21 May 2019 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 on pages 111 to 112 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 2018 are set out in Note 32 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 December 2018 was 400,000,000 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 22 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 FY2018 are set out in Note 23 to the consolidated financial statements.

As at 31 December 2018, 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$2.8 million (FY2017: S$9.7 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 FY2018 and up to the date of this report were:

Executive Directors
Mr. Phua Swee Hoe *(Chairman and Chief Executive Officer)*
Ms. Ng Hong Kiew *(Compliance officer)*
Mr. Ang Lai Seng (resigned on 22 February 2019)

Non-executive Director
Mr. Tay Koon Chuan

Independent non-executive Directors
Mr. Tan Yew Bock
Mr. Ong Kian Guan
Mr. Chow Wen Kwan
Mr. Lau Yau Chuen Louis (appointed on 15 June 2018)

Mr. Ang Lai Seng resigned on 22 February 2019 as executive director of the Company. Mr. Ang Lai Seng has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the shareholders of the Company.

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 a service agreement 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 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

In FY2018, 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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporation

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (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 of the Company.

2. All the issued shares of Team One Global Limited 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 of the Company held by Team One Global Limited by virtue of the SFO.

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

Save as disclosed above, as at the date of this report, 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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

So far is known to the Directors, as at 31 December 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:

Long positions in shares of the Company

Name	Capacity/ Nature of interest	Number of shares held/ interested[(1)]	Percentage of shareholdings
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 of the Company.

2. All the issued shares of Team One Global Limited 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 of the Company held by Team One Global Limited by virtue of the SFO.

Save as disclosed above, as at date of this report, the Company has not been notified of any 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 FY2018, the Group's five largest customers accounted for approximately 99.2% (2017: 98.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 56.2% (2017: 47.4%) 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

In FY2018, the Group's five largest suppliers accounted for approximately 83.4% (2017: 74.8%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 31.4% (2017: 26.0%) 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent 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 during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during FY2018 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

During FY2018, the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

As at the date of report, none of the Directors, substantial shareholders of the Company and any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly, or indirectly, with the business of the Group or has any other conflict of interests with the Group.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for the compliance adviser's agreement entered into between the Company and Fortune Finance Capital Limited (the "**Compliance Adviser**") dated 26 August 2017, neither the Compliance Adviser nor its directors, employees or associates had any interest in relation to the Company which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2018.

CORPORATE GOVERNANCE CODE (THE "CODE")

Please refer to the Corporate Governance Report on pages 17 to 26 for details of the Company's compliances with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry made with all the Directors, each of them has confirmed that they have fully complied with the required standard of dealings throughout the period from the Listing Date to the date of this report, and no incident of non-compliance was noted by the Company during FY2018.

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 2018.

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 the Group and to promote the success of the business of the 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 the 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 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.

6. (i) No offer for the grant of options may be made after any inside information has come to the knowledge of the 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.

7. 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.

8. 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

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that had come into the attention of the Directors which needs to be disclosed.

AUDIT COMMITTEE

The Audit Committee has discussed and reviewed the annual report for FY2018, and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

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

Singapore, 29 March 2019

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 43 to 110, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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**"). 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.

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.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 assessment on property, plant and equipment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on property, plant and equipment ("PPE") Refer to Note 4 "Critical accounting estimates and judgements" and Note 14 "Property, plant and equipment" to the consolidated financial statements of the Group. As at 31 December 2018, the Group had PPE with a carrying value of S\$1.8 million, representing 12% of total assets. For the year ended 31 December 2018, the Group recognised a loss for the year of S\$3.1 million and net cash outflows from operating activities of S\$2.0 million, which gave rise to an indication of impairment of its PPE. Management has performed an impairment assessment using a discounted cash flow projection for a period of 5 years as the basis of value-in-use model. Based on the assessment, the recoverable amount of the Group's PPE exceeded its carrying value and therefore no provision for impairment was recognised during the year. We focused on this area because the discounted cash flow projection used in determining the recoverable amount of the PPE involved the use of significant judgement and assumptions, including forecasted gross margin, terminal growth rate, discount rate and estimation of future events that are subject to uncertainty.	Our procedures in relation to the impairment assessment on PPE mainly included: • Obtained an understanding of the management's process for impairment assessment; • Assessed the reasonableness of the key assumptions, including revenue growth rate, forecasted gross margin, terminal growth rate and discount rate used in the discounted cash flow projection; • Evaluated the revenue growth rate and forecasted gross margin by taking into consideration of historical performance and customers' projected orders; • Involved our valuation specialists in the assessment of the reasonableness of the terminal growth rate and discount rate applied; • Performed sensitivity analysis on the key assumptions including forecasted gross margin, revenue growth rate and terminal growth rate used in the impairment assessment; and • Checked the mathematical accuracy of the calculation in the discounted cash flow projection of the impairment assessment. Based on the procedures performed, we found management's judgements and estimates in relation to the impairment assessment on PPE to be appropriately supported.

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 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 judgement 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 Chan Wai Ching.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Revenue	6	**16,500**	20,744
Cost of sales	9	**(14,587)**	(16,318)
Gross profit		**1,913**	4,426
Other income	7	**161**	332
Other (losses)/gains — net	8	**(155)**	90
Selling and distribution expenses	9	**(286)**	(212)
Administrative expenses	9	**(4,533)**	(4,975)
Operating loss		**(2,900)**	(339)
Finance cost	11	**(148)**	(199)
Finance income	11	**34**	12
Finance costs — net		**(114)**	(187)
Loss before income tax		**(3,014)**	(526)
Income tax expense	12	**(87)**	(296)
Loss for the year		**(3,101)**	(822)
Loss and total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(3,102)**	(822)
Non-controlling interests		**1**	—
		(3,101)	(822)
		S cents	S cents
Loss per share for loss attributable to equity holders of the Company			
– Basic and diluted	13	**(0.79)**	(0.27)

The notes on pages 49 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 S$'000	2017 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,758**	2,231
Intangible assets	15	**70**	81
Investment in a key management insurance contract	16	**864**	785
Prepayment	19	**270**	—
		2,962	3,097
Current assets			
Inventories	20	**1,250**	1,754
Trade and other receivables	19	**3,968**	6,185
Contract assets	6(a)	**631**	—
Cash and cash equivalents	21	**6,411**	1,209
		12,260	9,148
Total assets		**15,222**	12,245
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the Company			
Share capital	22	**689**	—
Share premium	22	**8,885**	—
Capital reserve	23	**3,118**	3,118
Accumulated losses	23	**(3,037)**	(289)
		9,655	2,829
Non-controlling interests		**(8)**	(9)
Total equity		**9,647**	2,820

	Note	2018 S$'000	2017 S$'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	**96**	390
Provision	27	**1,427**	1,427
Deferred income tax liabilities	18	**147**	147
		1,670	1,964
Current liabilities			
Trade and other payables	24	**1,719**	3,363
Borrowings	25	**2,047**	3,759
Current income tax liabilities		**139**	339
		3,905	7,461
Total liabilities		**5,575**	9,425
Total equity and liabilities		**15,222**	12,245

The consolidated financial statements on pages 43 to 110 were approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf.

Mr. Phua Swee Hoe
Director

Ms. Ng Hong Kiew
Director

The notes on pages 49 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity holders of the Company						
	Note	Share capital S$'000	Share Premium S$'000	Capital reserve S$'000	Retained earnings/ (accumulated losses) S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At 1 January 2017		—	—	1,118	1,883	3,001	(9)	2,992
Comprehensive loss								
Loss for the year		—	—	—	(822)	(822)	—	(822)
Transactions with owners recognised directly in equity								
Dividends	29	—	—	—	(1,350)	(1,350)	—	(1,350)
Contributions from Controlling Shareholders	23	—	—	2,000	—	2,000	—	2,000
Balance as at 31 December 2017		—	—	3,118	(289)	2,829	(9)	2,820
At 31 December 2017		—	—	3,118	(289)	2,829	(9)	2,820
Adoption of IFRS 15	2.2	—	—	—	354	354	—	354
As at 1 January 2018		**–**	**–**	**3,118**	**65**	**3,183**	**(9)**	**3,174**
Comprehensive (loss)/profit								
Loss for the year		**–**	**–**	**–**	**(3,102)**	**(3,102)**	**1**	**(3,101)**
Transactions with owners recognised directly in equity								
Issuance of shares by share offer, net of share issuing expenses	22	**172**	**9,402**	**–**	**–**	**9,574**	**–**	**9,574**
Capitalisation of shares	22	**517**	**(517)**	**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2018		**689**	**8,885**	**3,118**	**(3,037)**	**9,655**	**(8)**	**9,647**

The notes on pages 49 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Cash flows from operating activities			
Loss before income tax		**(3,014)**	(526)
Adjustments for:			
— Depreciation of property, plant and equipment		**686**	813
— Amortisation of intangible assets		**15**	13
— Gain on disposal of property, plant and equipment		**—**	(20)
— Finance cost		**148**	199
— Finance income		**(34)**	(12)
— Changes in carrying value of investment in a key management insurance contract		**(79)**	(49)
— Unrealised currency translation losses		**1**	8
Operating (loss)/profit before working capital changes		**(2,277)**	426
Changes in working capital:			
— Inventories		**189**	(647)
— Trade and other receivables		**1,947**	(1,719)
— Contract assets		**110**	—
— Trade and other payables		**(1,644)**	1,204
Cash used in operations		**(1,675)**	(736)
Income tax paid		**(359)**	(320)
Net cash used in operating activities		**(2,034)**	(1,056)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	33	**—**	39
Purchase of property, plant and equipment		**(154)**	(690)
Purchase of intangible assets		**(4)**	(8)
Interest received		**34**	12
Decrease in amount due from a shareholder		**—**	1,309
Net cash (used in)/generated from investing activities		**(124)**	662

The notes on pages 49 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Cash flows from financing activities			
Proceeds from bank borrowings	33	5,857	5,904
Repayment of bank borrowings	33	(7,028)	(5,242)
Repayment of finance lease liabilities	33	(466)	(337)
Interest expenses paid		(148)	(199)
Contributions from Controlling Shareholders	23	—	2,000
Dividends paid	29	—	(1,350)
Proceeds from share issuance upon listing	22	11,207	—
Listing expenses paid (equity portion)	22	(1,633)	(656)
Net cash generated from financing activities		7,789	120
Net increase/(decrease) in cash and cash equivalents		5,631	(274)
Cash and cash equivalents at beginning of the year	21	781	1,063
Effects of currency translation on cash and cash equivalents		(1)	(8)
Cash and cash equivalents at end of the year	21	6,411	781

The notes on pages 49 to 110 are an integral part of these consolidated financial statements.

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 immediate and ultimate holding company of the Company is Team One Global Limited ("**Team One Global**"). The controlling shareholders of the Group are Mr. Phua Swee Hoe and Ms. Ng Hong Kiew (the "**Controlling Shareholders**").

Pursuant to the Group reorganisation completed on 19 December 2017 (the "**Reorganisation**"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited on 19 January 2018. The consolidated financial statements of the Group has been prepared as if the Group had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The consolidated financial statements are presented in thousands of Singapore dollars ("**S$'000**"), unless otherwise stated.

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 presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2;
- Transfers to Investment Property — Amendments to IAS 40; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

Except for the impact of the simplified transition approach on adoption of IFRS 9 and IFRS 15 set out in Note 2.2, the adoption of the other new and amended standards does not have any significant change to the accounting policies or any significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments to existing standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on 1 January 2019 and have not been early adopted by the Group:

Standards	Details	Effective date
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	Accounting periods beginning on or after 1 January 2019
IFRS 16	Leases	Accounting periods beginning on or after 1 January 2019
(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	Accounting periods beginning on or after 1 January 2019
IAS 19 (Amendments)	Employee Benefits: Plan Amendment, Curtailment or Settlement	Accounting periods beginning on or after 1 January 2019
IAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture	Accounting periods beginning on or after 1 January 2019
IFRS 17	Insurance Contracts	Accounting periods beginning on or after 1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1 Basis of preparation (Continued)

(b) *New standards and interpretations not yet adopted (Continued)*

IFRS 16 Leases (Continued)

Impact

The Group reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the operating leases of the Group.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$5,358,000 (Note 28). Of these commitments, approximately S$120,000 relate to short-term leases which will continue to be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately S$4,645,000 on 1 January 2019 and lease liabilities of S$4,645,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Net current assets will be S$1,254,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net result after tax will decrease by approximately S$129,000 for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately S$1,054,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

The Company has adopted the new standards retrospectively from 1 January 2018, in line with the transition provision permitted under the standards. Comparatives for financial year ended 31 December 2017 are not restated and the Company has recognised any difference between the carrying amounts at 31 December 2017 and 1 January 2018 in the opening accumulated losses.

IFRS 9 was generally adopted without restating the comparative information.

The following tables show the adjustments recognised for each individual line item arising from the adoption of IFRS 15. The adjustments are explained in more detail by standard below.

	31 December 2017 As originally presented S$'000	Effect of adoption of IFRS 15 S$'000	1 January 2018 Restated S$'000
ASSETS			
Non-current assets	3,097	—	**3,097**
Current assets			
Inventories	1,754	(315)	**1,439**
Trade and other receivables	6,185	—	**6,185**
Contract assets	—	741	**741**
Cash and cash equivalents	1,209	—	**1,209**
	9,148	426	**9,574**
Total assets	12,245	426	**12,671**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Changes in accounting policies (Continued)

	31 December 2017 As originally presented S$'000	Effect of adoption of IFRS 15 S$'000	1 January 2018 Restated S$'000
EQUITY			
Share capital	—	—	—
Capital reserve	3,118	—	3,118
Accumulated losses	(289)	354	65
	2,829	354	3,183
Non-controlling interests	(9)	—	(9)
Total equity	2,820	354	3,174
LIABILITIES			
Non-current liabilities			
Borrowings	390	—	390
Provision	1,427	—	1,427
Deferred income tax liabilities	147	—	147
	1,964	—	1,964
Current liabilities			
Trade and other payables	3,363	—	3,363
Borrowings	3,759	—	3,759
Current income tax liabilities	339	72	411
	7,461	72	7,533
Total liabilities	9,425	72	9,497
Total equity and liabilities	12,245	426	12,671

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

2.2 Changes in accounting policies (Continued)

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Notes 2.12 below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with IAS 39 and IFRS 9 on 1 January 2018.

The adoption of IFRS 9 did not result in any changes to the classification and measurement of the financial assets and liabilities of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Changes in accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

(ii) Impairment of financial assets

The Group's trade receivables subject to the new expected credit loss model. The Group was required to revise its impairment methodology under IFRS 9 for these trade receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The adoption of the simplified expected loss approach under IFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 15, the cumulative impact of the adoption was recognised in the opening accumulated losses at 1 January 2018 and comparative figures have not been restated.

The Group sells a range of injection molded plastic parts for disposable medical devices and provision of tooling services. Sales of injection molded plastic parts and provision of tooling services are recognised at a point in time or over time, depending on the terms and conditions set out in the contracts with different customers. The Group's production and operations do not create an asset with an alternative use to the Group, and whether such revenue is recognised at a point in time or over time depends on whether the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

2.2 Changes in accounting policies (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

For revenue to be recognised at a point in time, it is recognised when the control of the products is transferred to the customer. For revenue to be recognised over time, revenue is recognised based on the actual cost incurred to the end of the reporting period as a proportion of the total expected cost to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. As such, the Group has recognised a contract asset for revenue recognised over time.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.3 Subsidiaries (Continued)

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.

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.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**") and those charged with governance.

The CODM assesses the financial performance and position of the Group and makes strategic decisions. The CODM has been identified as the executive directors of the Group.

2.6 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 thousands of Singapore dollars ("**S$'000**"), which is the Company's functional and Group's presentation currency.

(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 re-measured. 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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each consolidated statement of comprehensive income 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.7 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.

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, machinery and cleanroom 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 (losses)/gains — net" in the consolidated statement of comprehensive income.

2.8 Intangible assets

Trademarks, patents and licences

Separately acquired trademark, patents and licences are recognised at historical cost. Trademark, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.9 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.

2.10 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows of the financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Until 31 December 2017, the Group classifies its financial assets as 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.10 Investments and other financial assets (Continued)

(a) *Classification (Continued)*

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.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Until 31 December 2017, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.10 Investments and other financial assets (Continued)

(c) Impairment (Continued)

Evidence of impairment may include indications that the debtors 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.

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.

2.11 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.

2.12 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.12 Trade and other receivables (Continued)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.13 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.

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 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.

2.16 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 capitalized as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.16 Borrowings (Continued)

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.

2.17 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.

2.18 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)

2.18 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.

2.19 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)

2.20 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.

2.21 Revenue recognition

(a) Sales of goods

The Group manufactures and sells a range of injection molded plastic parts for disposable medical devices.

From 1 January 2018, sales are recognised when control of the products has transferred. At contract inception, the Group assesses whether the Group transfers control of the goods over time or at a point in time by determining if:

(i) its performance does not create an asset with an alternative use to the Group; and

(ii) the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.21 Revenue recognition (Continued)

(a) Sales of goods (Continued)

The injection molded plastic parts has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment in contracts with certain customers. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the injection molded plastic parts. The measure of progress is determined based on the actual cost incurred to the end of the reporting period as a proportion of the total expected cost to be provided.

For contracts where the Group does not have enforceable right to payment, revenue is recognised only when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Until 31 December 2017, sales 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.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of tooling services

The Group also provides tooling services to customers under fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, and each service takes a few days to complete. As such, revenue from providing tooling services is recognised at a point in time when the services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.22 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income 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.

2.23 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.24 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.24 Provisions (Continued)

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.

2.25 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.

2.26 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

3.1 Financial risk factors

The Group's activities expose it to market risk (including foreign exchange risk and interest rate 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 Dollars ("**USD**"). The exposure to foreign currency risk is not significant during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, deposits with banks and financial institutions and credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. 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. Receivable balances are monitored on an ongoing basis.

The Group's trade receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the impairment loss is expected to be immaterial.

Management applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables of the Group. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("**GDP**") and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance of the Group's trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

	At 31 December 2018 S$'000	At 1 January 2018 S$'000
Expected loss rate	**0%**	0%
Gross carrying value of trade receivables (Note 19)	**3,306**	4,825
Loss allowance	**—**	—

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item in the consolidated statement of comprehensive income.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

Previous accounting policy for impairment of trade receivables

For the year ended 31 December 2017, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the years ended 31 December 2017 and 2018, there was no provision for impairment on these receivables.

The maximum exposure to credit risk as of the reporting date was the carrying value of each type of receivables mentioned above. The Group did not hold any collateral as security as of each reporting date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (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 2018, the Group held net cash and cash equivalents of S$6,411,000 (2017: S$781,000), 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 2018, the Group's total available banking facilities amounted to approximately S$3,300,000 (2017: S$3,200,000), of which approximately S$1,600,000 (2017: S$2,400,000) 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 date of consolidated statement of financial position 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)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand S$'000	Less than one year S$'000	One to five years S$'000	Total S$'000
As at 31 December 2018				
Trade and other payables	**–**	**1,719**	**–**	**1,719**
Borrowings	**–**	**1,963**	**–**	**1,963**
Finance lease liabilities	**–**	**94**	**114**	**208**
	–	**3,776**	**114**	**3,890**
As at 31 December 2017				
Trade and other payables	—	3,363	—	3,363
Borrowings	241	3,232	100	3,573
Finance lease liabilities	—	312	346	658
	241	6,907	446	7,594

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

	Less than one year S$'000	Between two and five years S$'000	Total S$'000
As at 31 December 2018	**–**	**–**	**–**
As at 31 December 2017	116	155	271

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 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.

	2018 **S$'000**	2017 S$'000
Borrowings (Note 25)	**2,143**	4,149
Less: Cash and cash equivalents (Note 21)	**(6,411)**	(1,209)
Net (asset)/debt	**(4,268)**	2,940
Total equity	**9,647**	2,820
Total capital	**5,379**	5,760
Gearing ratio	**N.A.**	51%

3.3 Fair value estimation

The fair values of receivables and payables are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities. The fair values of financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest-rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Impairment of property, plant and equipment

The Group reviewed the carrying amount of property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing the recoverable amount of the assets, significant judgements are used to estimate the future cash flows generated from the property, plant and equipment, the discount rate and the terminal growth rate applied in the discounted cash flow analysis. In making these judgements, the Group has relied on the past performances, certain customers' forecasted demand and its expectations of market development. Specific estimates are disclosed in Note 14.

5 SEGMENT INFORMATION

The 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.

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.

5 SEGMENT INFORMATION (Continued)

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 2018:

	Component parts 2018 S$'000	Sub-assembly parts 2018 S$'000	Total 2018 S$'000
Segment revenue	11,678	4,822	16,500
Segment gross profit/(loss)	3,318	(1,405)	1,913
Unallocated expenses:			
Depreciation			(287)
Amortisation			(15)
Finance costs			(148)
Finance income			34
Others			(4,511)
Loss before income tax			(3,014)
Income tax expense			(87)
Loss for the year			(3,101)
Other segment items:			
Depreciation	(282)	(117)	(399)

5 SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment breakdown for the year ended 31 December 2017:

	Component parts 2017 S$'000	Sub-assembly parts 2017 S$'000	Total 2017 S$'000
Segment revenue	12,482	8,262	20,744
Segment gross profit	3,522	904	4,426
Unallocated expenses:			
Depreciation			(421)
Amortisation			(13)
Finance costs			(199)
Finance income			12
Others			(4,331)
Loss before income tax			(526)
Income tax expense			(296)
Loss for the year			(822)
Other segment items:			
Depreciation	(266)	(126)	(392)

5 SEGMENT INFORMATION (Continued)

Information about major customers

For the year ended 31 December 2018, revenue generated from our top two customers accounted for approximately 84.7% (2017: 82.5%) of the total revenue of the Group.

External customers contribute over 10% of total revenue of the Group for the years ended 31 December 2017 and 2018 are as follows:

	2018 S$'000	2017 S$'000
Customer A	9,271	9,826
Customer B	4,708	7,277
	13,979	17,103

Geographical segment

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

	2018 S$'000	2017 S$'000
Asia	11,302	13,411
Europe	5,198	7,291
Others	—	42
	16,500	20,744

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

	2018 S$'000	2017 S$'000
Singapore	2,676	3,072
Indonesia	16	25
	2,692	3,097

6 REVENUE

	2018 S$'000	2017 S$'000
Sale of goods	15,888	19,903
Rendering of tooling services	612	841
	16,500	20,744
Timing of revenue recognition		
— At a point in time	10,518	
— Over time	5,982	
	16,500	

	31 December 2018 S$'000	1 January 2018 (Note 2.2) S$'000
(a) Contract assets		
— Sale of goods	631	741

7 OTHER INCOME

	2018 S$'000	2017 S$'000
Government grants	77	240
Sale of scrap material	84	92
	161	332

8 OTHER (LOSSES)/GAINS — NET

	2018 S$'000	2017 S$'000
Changes in carrying value of the investment in a key management insurance contract	79	49
Currency exchange (losses)/gains, net	(234)	21
Gain on disposal of property, plant and equipment	—	20
	(155)	90

9 EXPENSES BY NATURE

	2018 S$'000	2017 S$'000
Costs of inventories sold	7,829	9,759
Employee benefit expenses (Note 10)	5,204	4,886
Depreciation of property, plant and equipment (Note 14)	686	813
Amortisation of intangible assets (Note 15)	15	13
Rental expenses	1,450	1,463
Entertainment	5	8
Utilities	871	805
Repair and maintenance of property, plant and equipment	622	474
Insurance	130	123
Travelling expenses	144	102
Printing and stationery	26	32
Telephone charges	26	25
Advertisement	55	63
Legal and professional fees	480	264
Auditor's remuneration		
— Audit services	224	202
— Non-audit services	9	—
Postage and courier service	4	3
Bank charges	23	32
Listing expenses	1,406	2,221
Bad debts written off	9	—
Others	188	217
	19,406	21,505
Represented by:		
Cost of sales	14,587	16,318
Selling and distribution expenses	286	212
Administrative expenses	4,533	4,975
	19,406	21,505

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

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

	2018 S$'000	2017 S$'000
Wages, salaries and allowances	4,018	3,768
Incentives	459	376
Retirement benefit costs — defined contribution	362	297
Others	365	445
	5,204	4,886

(b) Directors' emoluments

The emoluments of individual director of the Company paid/payable by companies comprising the Group during the years ended 31 December 2017 and 2018 are presented below.

The remuneration of each director for the year ended 31 December 2018 is set out below:

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Bonus S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors						
— Mr. Phua Swee Hoe	28	228	57	9	–	322
— Ms. Ng Hong Kiew	28	104	26	13	–	171
— Mr. Ang Lai Seng	28	78	13	11	–	130
Non-executive directors						
— Mr. Tay Koon Chuan	30	–	–	–	–	30
Independent non-executive directors						
— Mr. Tan Yew Bock	30	–	–	–	–	30
— Mr. Ong Kian Guan	30	–	–	–	–	30
— Mr. Chow Wen Kwan	30	–	–	–	–	30
— Mr. Lau Yau Chuen Louis	16	–	–	–	–	16
	220	410	96	33	–	759

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

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

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Bonus S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors						
— Mr. Phua Swee Hoe	—	228	—	9	—	237
— Ms. Ng Hong Kiew	—	104	—	13	—	117
— Mr. Ang Lai Seng	—	78	—	14	—	92
Non-executive directors						
— Mr. Tay Koon Chuan	—	—	—	—	—	—
Independent non-executive directors						
— Mr. Tan Yew Bock	—	—	—	—	—	—
— Mr. Ong Kian Guan	—	—	—	—	—	—
— Mr. Chow Wen Kwan	—	—	—	—	—	—
	—	410	—	36	—	446

During the year ended 31 December 2017 and 2018, none of the directors of the Company waived any emoluments paid or payable by the Group companies. During the years ended 31 December 2017 and 2018, 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 2017 and 2018.

(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 2017 and 2018.

10 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

(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 2017 and 2018.

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

There are no loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director, for the years ended 31 December 2017 and 2018.

(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 2017 and 2018.

(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 2018 (2017: three), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals for the year ended 31 December 2018 (2017: two) are as follows:

	2018 S$'000	2017 S$'000
Wages, salaries and allowances	165	167
Bonus	14	—
Retirement benefit costs — defined contribution	28	23
	207	190

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	
	2018	2017
Emoluments band		
Nil – HK$1,000,000 (approximately S$178,571)	**1**	1

11 FINANCE COSTS — NET

	2018 **S$'000**	2017 S$'000
Interest expenses on:		
— Finance lease	**27**	31
— Bank overdraft	**3**	35
— Term loan	**18**	57
— Trust receipts	**100**	76
	148	199
Interest income from:		
— Fixed deposit interest income	**(34)**	—
— Amount due from a shareholder	**—**	(12)
	(34)	(12)
Finance costs — net	**114**	187

12 INCOME TAX EXPENSE

Singapore income tax has been provided at the rate of 17% on the estimated assessable profit during the year (2017: 17%).

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

	2018 S$'000	2017 S$'000
Current income tax	—	283
Under-provision in prior financial years	87	13
Income tax expense	87	296

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

	2018 S$'000	2017 S$'000
Loss before income tax	(3,014)	(526)
Tax calculated at domestic tax rate of 17%	(512)	(89)
Tax effect of:		
— income not subject to tax	—	(30)
— expenses not deductible for tax purposes	457	455
— Singapore statutory income exemption	(9)	(26)
— tax losses not recognised	65	—
— tax incentives	—	(21)
— under-provision in prior years	87	13
— others	(1)	(6)
	87	296

13 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss 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 22) took place on 19 January 2018.

	2018	2017
Loss attributable to equity holders of the Company (S$'000)	**(3,102)**	(822)
Weighted average number of ordinary shares in issue (thousands)	**395,068**	300,000
Basic and diluted loss per share (S cents)	**(0.79)**	(0.27)

No diluted earnings per share is presented as there was no potential dilutive share during the years ended 31 December 2017 and 2018. Diluted earnings per share is equal to the basic earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Air conditioner S$'000	Electrical installations S$'000	Factory equipment, machinery and cleanroom facilities S$'000	Office equipment, factory furniture, furniture and fittings S$'000	Renovation S$'000	Motor vehicles S$'000	Total S$'000
At 1 January 2017							
Cost	162	151	13,663	1,096	1,902	452	17,426
Accumulated depreciation	(84)	(85)	(12,987)	(925)	(1,259)	(351)	(15,691)
Net book amount	78	66	676	171	643	101	1,735
Year ended 31 December 2017							
Opening net book amount	78	66	676	171	643	101	1,735
Additions	240	55	556	33	154	290	1,328
Disposals	(2)	—	—	—	—	(17)	(19)
Depreciation (Note 9)	(47)	(24)	(249)	(69)	(313)	(111)	(813)
Closing net book amount	269	97	983	135	484	263	2,231
At 1 January 2018							
Cost	**399**	**206**	**13,979**	**1,119**	**2,056**	**678**	**18,437**
Accumulated depreciation	**(130)**	**(109)**	**(12,996)**	**(984)**	**(1,572)**	**(415)**	**(16,206)**
Net book amount	**269**	**97**	**983**	**135**	**484**	**263**	**2,231**
Year ended 31 December 2018							
Opening net book amount	**269**	**97**	**983**	**135**	**484**	**263**	**2,231**
Additions	**7**	**–**	**154**	**52**	**–**	**–**	**213**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation (Note 9)	**(57)**	**(22)**	**(243)**	**(62)**	**(220)**	**(82)**	**(686)**
Closing net book amount	**219**	**75**	**894**	**125**	**264**	**181**	**1,758**

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of S$399,000 (2017: S$392,000) and S$287,000 (2017: S$421,000) have been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2018.

Included in additions in the consolidated financial statements are factory equipment, machinery, renovation and motor vehicle acquired under finance lease amounting to S$59,000 for the year ended 31 December 2018 (2017: S$638,000).

As at 31 December 2018, amounts of machinery, motor vehicles and renovation under finance leases were S$147,000 (2017: S$492,000), S$168,000 (2017: S$252,000) and nil (2017: S$130,000), respectively.

Impairment assessment of property, plant and equipment ("PPE")

For the year ended 31 December 2018, the Group recognised a loss for the year of approximately S$3,100,000 and a net cash outflow from operating activities of approximately S$2,000,000 which gave rise to an indication of impairment of its PPE. The value-in-use calculations are derived from cash flow projections based on the most recent five-year financial budgets approved by management. Cash flows beyond that five-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the Group operates.

The key assumptions used in value-in-use calculations include:

i. Forecasted gross margin of 20%;

ii. Revenue growth rate of 5.0% per annum;

iii. Terminal growth rate of 1.3%; and

iv. Pre-tax discount rate of 11.0% per annum.

Based on the assessment, the recoverable amount of the Group's PPE exceeded its carrying value and therefore no provision for impairment was recognised during the year.

A further decrease in the forecasted gross margin and revenue growth rate by 1.2% and 1.9% per annum, respectively, or a further increase in pre-tax discount rate of 3.0% per annum, would result in the recoverable amount being equal to its carrying amount.

The Directors considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the PPE to exceed its recoverable amount.

15 INTANGIBLE ASSETS

Trademark and licenses	S$'000
At 1 January 2017	
Cost	162
Accumulated amortisation	(76)
Net book amount	86
Year ended 31 December 2017	
Opening net book amount	86
Additions	8
Amortisation (Note 9)	(13)
Closing net book amount	81
At 1 January 2018	
Cost	**171**
Accumulated amortisation	**(90)**
Net book amount	**81**
Year ended 31 December 2018	
Opening net book amount	**81**
Additions	**4**
Amortisation (Note 9)	**(15)**
Closing net book amount	**70**

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

16 INVESTMENT IN A KEY MANAGEMENT INSURANCE CONTRACT

	2018 S$'000	2017 S$'000
Unlisted investment		
— Key management insurance contract	**864**	785

The key management 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 any of the insured event occurs. The key management insurance contract is denominated in S$ and is secured for a loan facility granted by the insurance company to the Company (Note 25).

The change in carrying amount of such investment during the year is included in "Other (losses)/gains – net" in the consolidated statement of comprehensive income (Note 8).

For the years ended 31 December 2017 and 2018, the carrying amount of the life insurance contract were estimated by making reference to the cash surrender values set out in the insurance contract.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 S$'000	2017 S$'000
Financial assets per consolidated statement of financial position		
Financial assets measured at amortised cost/loans and receivables		
— Trade and other receivables	**3,877**	5,401
— Contract assets	**631**	—
— Cash and cash equivalents	**6,411**	1,209
Total	**10,919**	6,610
Financial liabilities per consolidated statement of financial position		
Financial liabilities measured at amortised cost		
— Trade and other payables	**1,719**	3,363
— Borrowings	**2,143**	4,149
Total	**3,862**	7,512

18 DEFERRED INCOME TAX

The analysis of deferred income tax liability is as follows:

	2018 S$'000	2017 S$'000
Deferred income tax liability:		
— Deferred income tax liability to be settled after more than 12 months	**147**	147

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

	2018 S$'000	2017 S$'000
At beginning of the year	**147**	147
Charged to consolidated statement of comprehensive income (Note 12)	**—**	—
At end of the year	**147**	147

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

Deferred income tax liability:

	Accelerated tax depreciation S$'000	**Total** S$'000
At 1 January 2017	147	147
Credited to consolidated statement of comprehensive income (Note 12)	—	—
At 31 December 2017	147	147
At 1 January 2018	**147**	**147**
Charged to consolidated statement of comprehensive income (Note 12)	**—**	**—**
At 31 December 2018	**147**	**147**

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 2017 and 2018 are as follows:

	2018 S$'000	2017 S$'000
Losses carried forward	631	249

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

	2018 S$'000	2017 S$'000
1st Year	—	—
2nd Year	54	—
3rd Year	195	54
4th Year	—	195
5th Year	382	—
	631	249

19 TRADE AND OTHER RECEIVABLES

	2018 S$'000	2017 S$'000
Non-current		
Prepayment	**270**	—
Current		
Trade receivables	**3,306**	4,825
Less: provision for impairment of trade receivables	**—**	—
	3,306	4,825
Goods and services tax receivables	**5**	55
Prepayments	**86**	729
Deposits	**564**	564
Others	**7**	12
	3,968	6,185
	4,238	6,185

The carrying amounts of trade receivables approximate their fair values.

The Group normally grants 30 to 60 days credit terms to its customers. As at 31 December 2017 and 2018, the ageing analysis of trade receivables based on invoice date is as follows:

	2018 S$'000	2017 S$'000
1 to 30 days	**1,505**	1,838
31 to 60 days	**737**	1,802
61 to 90 days	**901**	1,112
Over 90 days	**163**	73
	3,306	4,825

19 TRADE AND OTHER RECEIVABLES (Continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of the previous 24 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Note 3.1(b) provides details about the rationale and calculation of the allowance.

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

	2018 S$'000	2017 S$'000
S$	**2,899**	4,518
USD	**407**	307
	3,306	4,825

20 INVENTORIES

	2018 S$'000	2017 S$'000
Goods on hand		
Raw materials	**826**	887
Work-in-progress	**63**	213
Finished goods	**361**	654
	1,250	1,754

The cost of inventories sold included in cost of sales amounted to S$7,829,000 for the year ended 31 December 2018 (2017: S$9,759,000) (Note 9).

21 CASH AND CASH EQUIVALENTS

	2018 S$'000	2017 S$'000
Cash and bank balances	6,411	1,209

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

	2018 S$'000	2017 S$'000
S$	6,266	1,104
Hong Kong Dollar	74	1
Indonesia Rupiah	4	4
Japanese yen	2	2
Renminbi	1	1
USD	64	97
	6,411	1,209

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

	2018 S$'000	2017 S$'000
Cash and cash equivalents	6,411	1,209
Bank overdrafts (Note 25)	—	(428)
Cash and cash equivalents per consolidated statement of cash flows	6,411	781

22 SHARE CAPITAL AND SHARE PREMIUM

	2018 S$'000	2017 S$'000
Share capital	689	—
Share premium	8,885	—
	9,574	—

The Company was incorporated on 17 July 2017. The movements of share capital and share premium of the Company during the year ended 31 December 2018 are as follows:

	No. of ordinary shares	Share capital S$'000	Share premium S$'000
Authorised:	10,000,000,000	17,296	–
At 1 January 2018 and 31 December 2018			
Issued and fully paid:			
At 1 January 2018	100	–	–
Shares issued pursuant to Capitalisation Shares (Note (a))	299,999,900	517	(517)
New Share issued pursuant to the Share Offer (Note (b))	100,000,000	172	9,402
At 31 December 2018	400,000,000	689	8,885

(a) By a shareholder's 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 resolved to issue 299,999,900 shares (the "**Capitalisation Shares**"), credited as fully paid 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.

(b) On 19 January 2018, the shares of the Company were listed on GEM of the Stock Exchange. In connection with the listing, 100,000,000 shares (the "**Share Offer**") of HK$0.01 each were issued at the offer price of HK$0.65 with gross proceeds of S$11,207,000. During the year ended 31 December 2018, S$172,000 was credited to the share capital account and S$9,402,000 net of share issuing expenses of S$1,633,000 was credited to the share premium account.

23 RESERVES

The reserve movement of the Group is as follows:

	Note	Capital reserve S$'000	Retained earnings/ (accumulated losses) S$'000	Total S$'000
At 1 January 2017		1,118	1,883	3,001
Comprehensive income				
Loss for the year		—	(822)	(822)
Transactions with owners				
Dividends	29	—	(1,350)	(1,350)
Contributions from Controlling Shareholders		2,000	—	2,000
Balance as at 31 December 2017		3,118	(289)	2,829
At 31 December 2017		**3,118**	**(289)**	**2,829**
Adoption of IFRS 15		**—**	**354**	**354**
As 1 January 2018		**3,118**	**65**	**3,183**
Comprehensive loss				
Loss for the year		**—**	**(3,102)**	**(3,102)**
Balance as at 31 December 2018		**3,118**	**(3,037)**	**81**

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.

24 TRADE AND OTHER PAYABLES

	2018 S$'000	2017 S$'000
Trade payables (Note a)		
— Third parties	**863**	2,092
Other payables and accruals		
— Accrued expenses	**455**	1,082
— Others	**401**	189
	1,719	3,363

(a) Trade payables

As at 31 December 2017 and 2018, the ageing analysis of the trade payables by invoice date is as follows:

	2018 S$'000	2017 S$'000
1 to 30 days	**428**	904
31 to 60 days	**317**	696
61 to 90 days	**19**	451
More than 90 days	**99**	41
	863	2,092

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

	2018 S$'000	2017 S$'000
S$	**317**	760
Euro	**118**	212
Indonesian Rupiah	**28**	3
Swiss France	**69**	115
USD	**331**	1,002
	863	2,092

The carrying amounts of trade payables approximate their fair values.

25 BORROWINGS

	2018 S$'000	2017 S$'000
Non-current		
Bank borrowings	—	98
Finance lease liabilities (Note 26)	96	292
	96	390
Current		
Bank borrowings	366	1,129
Bank overdrafts (Note 21)	—	428
Trust receipts	1,595	1,905
Finance lease liabilities (Note 26)	86	297
	2,047	3,759
Total borrowings	2,143	4,149

As at 31 December 2017 and 2018, the Group's borrowings were repayable as follows:

	2018 S$'000	2017 S$'000
Within 1 year	2,047	3,759
Between 1 and 2 years	24	297
Between 2 and 5 years	72	93
	2,143	4,149

25 BORROWINGS (Continued)

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

	2018	2017
Bank borrowings	**4.5%**	5.0%
Bank overdrafts	**6.3%**	6.3%
Trust receipts	**6.1%**	6.0%

The carrying amounts of borrowings of the Group approximate their fair values as at 31 December 2017 and 2018 and are denominated in S$.

As at 31 December 2018, bank borrowings of S$90,000 (2017: S$578,000) are secured by personal and joint guarantee by the Controlling Shareholders. Total bank borrowings of S$100,000 as at 31 December 2017 are secured by first legal mortgage on a property owned by the Controlling Shareholders. Bank borrowings of S$276,000 (2017: S$649,000) are secured by a key management insurance policy undertaken by the Group (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 and joint guarantee by the Controlling Shareholders. As at 31 December 2018, trust receipts of S$1,042,000 (2017: S$1,481,000) are secured by first legal mortgage on a property owned by the Controlling Shareholders.

26 FINANCE LEASE LIABILITIES

The Group leases certain property, plant and equipment and motor vehicles from third parties under finance leases. As at 31 December 2017 and 2018, the Group's finance leases were repayable as follows:

	2018 S$'000	2017 S$'000
Minimum lease payments due		
— Not later than 1 year	**94**	312
— Later than 1 year and not later than 5 years	**114**	346
	208	658
Less: Future finance charges	**(26)**	(69)
Present value of finance lease liabilities	**182**	589

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

	2018 S$'000	2017 S$'000
Not later than 1 year (Note 25)	**86**	297
Later than one year (Note 25)		
— Later than 1 year and not later than 5 years	**96**	292
Total	**182**	589

As at 31 December 2018, obligations under finance leases of S$182,000 (2017: S$408,962) are secured by personal guarantees by the shareholders of the Company. The effective interest rates on the finance leases was 4.08% per annum for the year then ended (2017: 4.43%).

27 PROVISION

	2018 S$'000	2017 S$'000
Non-current		
Provision for reinstatement cost	**1,427**	1,427

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.

28 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted as at balance sheet date but not recognised in the financial statements, are as follows:

	2018 S$'000	2017 S$'000
Property plant and equipment	**680**	—

The Group has committed to purchase one unit of high precision vertical machine, and the Group has made a down payment of S$270,000 as at 31 December 2018 (2017: Nil).

28 COMMITMENTS (Continued)

(b) 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:

	2018 S$'000	2017 S$'000
— Not later than 1 year	1,368	857
— Later than 1 year and not later than 5 years	3,990	741
	5,358	1,598

The Group has no other material commitments as at 31 December 2017 and 2018.

29 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2018. No dividend has been paid or declared by the Company since its incorporation.

Dividend of S$1,350,000 paid during the year ended 31 December 2017 represented dividends declared by the companies now comprising the Group to the equity holders of the Company.

30 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 judgement 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 appeals before the Court of Appeal have been scheduled to be heard between 1 April and 12 April 2019. The Board of Directors, pursuant to the advice from the Company's legal advisor, is of the opinion that it would be premature to estimate the Group's potential liability based on the status of the appeals. Accordingly, no contingent liability has been recognised as the potential liability cannot be measured reliably.

31 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 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).

32 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries at 31 December 2018:

Company name	County/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%

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2018 S$'000	2017 S$'000
Net book amount	–	19
Gain on disposal of property, plant and equipment	–	20
Proceeds from disposal of property, plant and equipment	–	39

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2017 and 2018:

	1 January 2018 S$'000	Principal and interest payments S$'000	Non-cash changes: Interest expense S$'000	Non-cash changes: Addition S$'000	31 December 2018 S$'000
Bank borrowings and trust receipts	3,132	(1,289)	118	–	1,961
Finance lease liabilities	589	(493)	27	59	182

	1 January 2017 S$'000	Principal and interest payments S$'000	Non-cash changes: Interest expense S$'000	Non-cash changes: Addition S$'000	31 December 2017 S$'000
Bank borrowings and trust receipts	2,470	529	133	—	3,132
Finance lease liabilities	288	(368)	31	638	589

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2018 S$'000	2017 S$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		5,221	5,221
		5,221	5,221
Current assets			
Amount due from a subsidiary		5,385	—
Trade and other receivables		29	656
Cash and cash equivalents		72	—
		5,486	656
Total assets		10,707	5,877
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		689	—
Share premium	a	8,885	—
Capital reserve	a	5,221	5,221
Accumulated losses	a	(4,388)	(2,401)
Total equity		10,407	2,820
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		32	2,261
Other payables		268	796
		300	3,057
Total liabilities		300	3,057
Total equity and liabilities		10,707	5,877

The consolidated financial statements on pages 43 to 110 were approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf.

Mr. Phua Swee Hoe	**Ms. Ng Hong Kiew**
Director	*Director*

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share Premium S$'000	Capital reserve S$'000	Accumulated losses S$'000	Total S$'000
At 17 July 2017 (date of incorporation)	—	—	—	—
Surplus arising on issue of shares in connection with the Reorganisation	—	5,221	—	5,221
Loss for the period	—	—	(2,401)	(2,401)
At 31 December 2017	—	5,221	(2,401)	2,820
At 1 January 2018	**–**	**5,221**	**(2,401)**	**2,820**
Shares issued pursuant to Capitalisation Shares (Note 22(a))	**(517)**	**–**	**–**	**(517)**
New Share issued pursuant to the Share Offer (Note 22 (b))	**9,402**	**–**	**–**	**9,402**
Loss for the year	**–**	**–**	**(1,987)**	**(1,987)**
At 31 December 2018	**8,885**	**5,221**	**(4,388)**	**9,718**

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

	2018 S$'000	2017 S$'000	2016 S$'000
Revenue	**16,500**	20,744	19,016
Cost of sales	**(14,587)**	(16,318)	(14,450)
Gross profit	**1,913**	4,426	4,566
Other income	**161**	332	254
Other (losses)/gains — net	**(155)**	90	(65)
Selling and distribution expenses	**(286)**	(212)	(203)
Administrative expenses	**(4,533)**	(4,975)	(2,329)
Operating (loss)/profit	**(2,900)**	(339)	2,223
Finance cost	**(148)**	(199)	(228)
Finance income	**34**	12	24
Finance costs — net	**(114)**	(187)	(204)
(Loss)/profit before income tax	**(3,014)**	(526)	2,019
Income tax expense	**(87)**	(296)	(341)
(Loss)/profit for the year	**(3,101)**	(822)	1,678
(Loss)/profit and total comprehensive (loss)/ income for the year attributable to:			
Equity holders of the Company	**(3,102)**	(822)	1,680
Non-controlling interests	**1**	—	(2)
	(3,101)	(822)	1,678

FINANCIAL SUMMARY

For the year ended 31 December 2018

	2018 S$'000	2017 S$'000	2016 S$'000
Asset and liabilities			
Total assets	**15,222**	12,245	10,572
Total liabilities	**5,575**	9,425	7,580
Net assets	**9,647**	2,820	2,992
Equity			
Capital and reserve attributable to equity holders of the Company	**9,655**	2,829	3,001
Non-controlling interests	**(8)**	(9)	(9)
Total equity	**9,647**	2,820	2,992