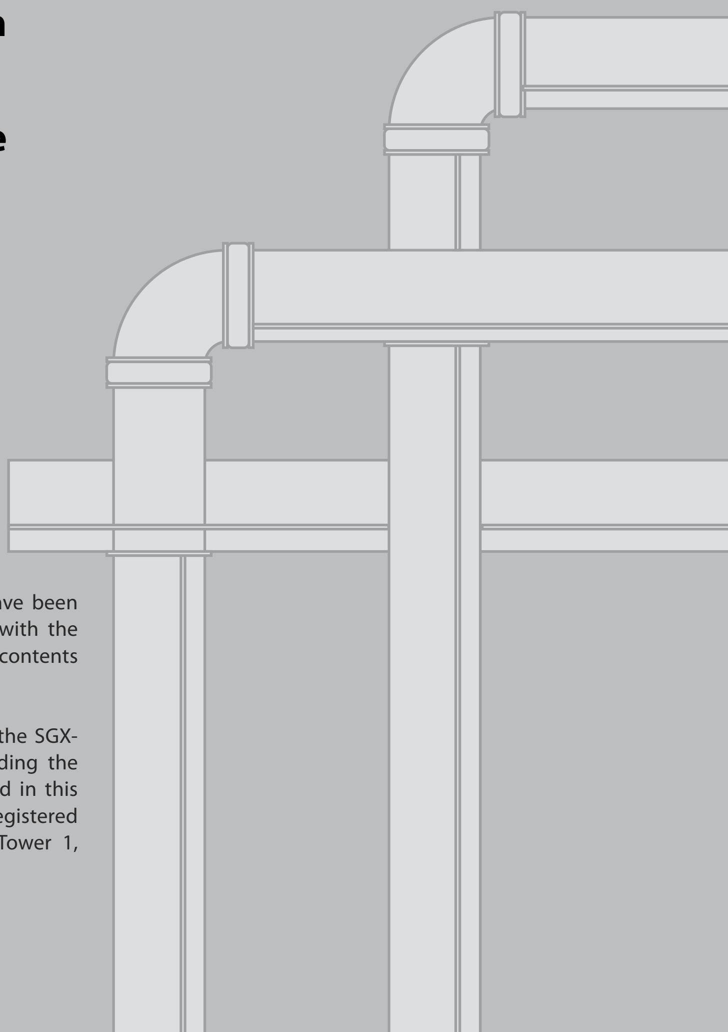
2018

ANNUAL REPORT

ACESIAN PARTNERS LIMITED

Contents



This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte Ltd, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Mr. Leong Weng Tuck, Registered Professional, RHT Capital Pte Ltd, 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, Tel: (65) 6381 6757.

Corporate Profile

Founded in Singapore in 1998, Acesian Partners Limited ("**Acesian**" or the "**Company**", formerly known as Linair Technologies Limited) is a multi-disciplinary group serving as a one-stop provider for environmental solutions and integrated services to diverse industries including the semiconductor, wastewater treatment, chemical, pharmaceutical and biotechnological industries. The Company was successfully listed on the SGX Sesdaq (now known as Catalist) in February 2005. In late 2015, we set up our latest business unit, Information Communication Technologies ("**ICT**"), dedicated to meet the needs of the audio-visual industry and providing a one-stop solution to our contractors, consultants and customers, where our products range from simple video-conferencing solution to large-scale command centre to integrated video wall set up.

MANUFACTURING, DISTRIBUTION AND SERVICES

Acesian has established a strong position in the duct manufacturing industry. Our manufacturing capability encompasses Ethylene Tetrafluoroethylene ("**ETFE**") coated stainless steel ducts, uncoated stainless steel ducts, galvanised ducts and other specialised exhaust system components.

Acesian's competitive advantage is our FM-approved status (an international commercial and industrial property insurance and risk management organisation) for production of ETFE-coated ducts. Our FM approved ETFE coated ducts, marketed under the brand name of CMT™ are highly corrosion resistant and designed to handle both flammable and non-flammable corrosive/ toxic fumes in exhaust systems.

Our high quality galvanised and stainless steel ductwork and accessories are suitable for less corrosive applications such as heating, ventilation and air-conditioning systems for commercial and industrial buildings.

Acesian's line of products are widely used in biotechnology, pharmaceutical and waste water treatment facilities. Besides ducts, Acesian also manufactures laboratory air flow products. Our Isolation Dampers are designed for effective shut-off and isolation of one or more tiers of filters in hazardous containment exhaust systems. In bio-hazardous environments, the dampers enable air filtration systems to be shut off for decontamination, or for filter changes. Our Ecoflow Venturi fast response variable air volume box offers solutions for critical airflow application in laboratories which require proper directional airflow.

INFORMATION COMMUNICATION TECHNOLOGIES

Our ICT unit has gained significant market recognition over the past three years by providing a complete range of services (including design and build audio-visual solutions, system integration and managed services) to our contractors, consultants and customers including but not limited to the commercial, financial and education sectors. In order to meet the needs and objectives of our increasing clientele, our staff strength has grown four-fold and currently stands at sixteen specialists. We are CTS-D and CTS-I certified under the Audiovisual and Integrated Experience Association, or AVIXA as well as a certified HDBaseT Trainer, all of which are recognised worldwide.

Letter to Shareholders

"the Group registered an increase in revenue to S$20.5 million in FY2018. MANUFACTURING REVENUE DOUBLED (from S$7.1 million in FY2017 to S$14.2 million in FY2018), largely due to HIGHER DEMAND IN THE SEMICONDUCTOR INDUSTRIES and the improvements in our manufacturing and production processes."

MR LOH YIH MANAGING DIRECTOR

DEAR SHAREHOLDERS,

Financial Year ended 31 December 2018 ("FY2018") was a challenging year for the Group, due in part to the initial teething problems for the newly-expanded manufacturing facility and the disputes (in relation to our subsidiary Acesian Star (S) Pte Ltd ("ASPL") and the projects at Changi Airport Terminal 4 and Terminal 1 Extension). The disputes with the main contractor is still ongoing, but the Group will continue to minimise any potential financial impacts.

I would therefore like to express my sincere gratitude and thanks to the shareholders, stakeholders, suppliers, sub-contractors, customers and members of staff who have continued to give us their unstinting support during this difficult period, particularly since such support has meant that we have been able to take steps to address the issues and strengthen the financial position of the Group (for instance, via the streamlining of the Group's business through the proposed disposal of a loss-making unit).

Accordingly, our performance in FY2018 was markedly better. The Group has registered an increase in revenue of S$8.5 million (from S$12.0 million in Financial Year ended 31 December 2017 ("FY2017") to S$20.5 million in FY2018), out of which S$7.1 million was contributed from our manufacturing segment.

The abovementioned teething problems have been overcome, and we have successfully expanded and revamped our manufacturing division as at November 2018. As a result, our production capacity has increased more than three-fold, and there have also been significant improvements in quality, efficiency and productivity. The Group is therefore well-placed to participate and assist in larger projects moving forward. With the excess capacity, we will expand our marketing effort in Europe and China.

In addition, our Information Communication Technologies business has grown considerably, mainly due to referrals from existing customers and stakeholders who have experienced our staff's competency, professionalism, attentiveness and work ethic.

FINANCIAL REVIEW

As mentioned, the Group has registered an increase in revenue to S$20.5 million in FY2018 from S$12.0 million in FY2017. Manufacturing revenue doubled from S$7.1 million in FY2017 to S$14.2 million in FY2018, largely due to higher demand in the semiconductor industries and the improvements in our manufacturing and production processes. Revenue from the engineering segment in FY2018 rose to S$6.3 million (S$1.5 million or 29.8% higher than FY2017).

In addition, our efforts have meant that gross profit increased by 76.2% (from S$3.7 million in FY2017 to S$6.5 million in FY2018) due to higher revenue and overall marginal increase in gross profit margin by 1.0 percentage point.

Other operating income decreased by S$7.2 million (from S$8.2 million in FY2017 to S$1.0 million in FY2018) mainly due to the absence of the prior year's gain of S$7.8 million from the scheme of arrangement with the adjudicated creditors of ASPL (which remains under judicial management). Despite higher legal expenses and higher sales, we managed to maintain our administrative expenses at S$4.6 million in FY2018 mainly due to lower staff costs (although this was partially offset by the provision of S$0.7 million for the professional fees of the Judicial Managers of ASPL).

Other operating expenses decreased by S$8.1 million (from S$9.7 million in FY2017 to S$1.6 million in FY2018). This was largely due to the absence of impairment for contract assets of S$7.8 million in FY2017 in relation to the Changi Airport Terminal 4 and Terminal 1 Extension projects. Finance costs increased from S$16,000 in FY2017 to S$19,000 in FY2018 due to the new hire purchases of machinery and equipment.

The Group has shown effective use of cash raised from the placement exercise, generated positive cashflow and maintained a healthy liquidity position, as evidenced by its current ratio of 1.91 as at 31 December 2018. The Group's cash position increased by S$3.1 million (from S$2.9 million as at 31 December 2017 to S$6.0 million as at 31 December 2018). On a per share basis, earnings per share were 0.24 cents for the year. Net asset value per share as at 31 December 2018 was 2.65 cents, a marginal decrease from 2.72 cents as at 31 December 2017.

OUTLOOK

It is expected that the economic environment will remain challenging, given the continuing intense competition within the industry and macroeconomic dynamics (in particular, the US-China trade war).

Notwithstanding, the said trade war will likely open up other possible opportunities (such as potential interest in plant and related investment in Southeast Asia). In addition, technological advancements and developments (for instance, with respect to 5G networks, Artificial Intelligence and driverless/autonomous vehicles) may drive demand in the microprocessor and related industries.

The Group will therefore continue to be ready to adapt to exploit any opportunities and address any difficulties presented by the market, while still remaining vigilant and mindful of the ongoing process of restructuring, improving, and managing costs.

Given the foregoing, the continuing support from all our stakeholders and partners, as well as the fresh perspectives and contributions from the recent additions to our Board of Directors and management, we exercise cautious optimism for the coming year.

CONCLUSION

In closing, on behalf of the Board of Directors, we recognise our management and staff's unwavering efforts, hard work and commitment to the Acesian Group. We would also like to express our heartfelt gratitude to and appreciation of our valued shareholders, stakeholders, suppliers, sub-contractors and customers. Each and every one of you has in your own way enabled the Group to meet challenges head-on, grow and improve, despite these testing times. We hope that we will be able to continue to count on your support as the Group redoubles its efforts and charts its path to a greater success.

LOH YIH
Managing Director

Board of Directors

MR LOH YIH
Managing Director & Executive Director

Mr Loh Yih joined the Group in September 2013 as Executive Chairman and was redesignated to managing director in August 2018. He is responsible for the overall management and performance of the Group. He is also the Managing Partner of MGF Management Pte Ltd, which was an exempt fund management company that focuses primarily on China Private Equity Investment. In 2005, he invested in Netplus Communication Pte Ltd, an internet service provider in Singapore. He took over as Managing Director from 2005, restructuring and turning the company around before selling the entity to MediaRing, a listed company in 2006. He has a professional background in financial services. He has held positions in merchant banking with Standard Chartered Merchant Bank Asia Ltd and West Merchant Bank and in audit with Ernst & Young LLP. He currently holds directorships in other listed companies such as Ban Leong Technologies Limited and International Press Softcom Limited. He completed his directorship term in Weichai Power Co. Ltd ("Weichai"), listed in HKEX and SZSE, in June 2018 but was subsequently appointed by State Owned Assets Supervision and Administration Commission of Shandong Provincial Government, China (SASAC), as a foreign director of Shandong Heavy Industry Group in September 2018, a parent company of Weichai, Shantui Construction Machinery Co Ltd and Weichai Heavy Machinery Co Ltd listed in Shenzhen, Yangzhou Yaxing Motor Coach Co Ltd listed in Shanghai, Kion Group AG listed in Frankfurt, Power Solutions International Inc. listed in New York and Ferretti Group.

He graduated with a Bachelor's Degree in Accountancy (Honours) from National University of Singapore in 1988.

MR NEO GIM KIONG
Non-Executive Chairman and Lead Independent Non-Executive Director

Mr Neo Gim Kiong was appointed as our Lead Independent Non-Executive Director on 2 August 2018 and was redesignated as our Board Chairman on 17 August 2018. He is also the Chairman of the Audit Committee and Nominating Committee and member of the Remuneration Committee. He is the Chief Executive Officer of Sen Yue Holdings Ltd, a company listed on SGX-Catalist, where he is responsible for the overall profit and loss, strategic restructuring and expansion of business activities of the Group. He is also the Founding Director of Dollar Tree Inc Pte Ltd, a business advisory company incorporated in Singapore in 2004. He currently holds directorships in other listed companies such as Ban Leong Technologies Limited, International Press Softcom Limited and Astaka Holdings Limited as well as other non-listed entities.

He graduated with a Bachelor of Science Degree in Mathematics (Honours) from National University of Singapore in 1993.

MR WONG KOK CHYE
Group Chief Operating Officer & Executive Director

Mr Wong Kok Chye joined the Group in Year 2000 and is currently the Group Chief Operating Officer and Executive Director. He has over 20 years of experience in Air-Conditioning and Mechanical Ventilation System of semiconductor. His role is to focus on the operation of our manufacturing and distribution businesses.

He holds a Bachelor Degree in Engineering with First Class Honours in Mechanical Engineering from Queen's University of Belfast.

MR QIU JUN
Executive Director & Business Development Director (China)

Mr Qiu Jun was appointed as our Executive Director and Business Development Director (China) on 8 August 2018. With his extensive business contacts and management experience in China, he is responsible in developing new business opportunities in China, managing outsource partners in China and any other China related businesses. Mr Qiu is also the Chairman of Shanxi Brother Real Estate Co., Ltd, a real estate developer in China and Chairman of Shanxi North-West Metal Logistics Co., Ltd, a logistic company in China.

MR HO TA-HUANG
Non-Executive & Non-Independent Director

Mr Ho Ta-Huang is the founder and Chairman of Chern Dar Enterprise Company Limited, a business partner of Acesian Group, which is based in Taiwan. He is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee. Mr Ho has over 30 years of experience in the business of manufacturing and installation of stainless steel and galvanised steel ductworks in Taiwan.

Mr Ho is the honorary Chairman of the Taiwan Hardware Association and an inspector with the Taiwan Ventilation Equipment Association.

MR ONG CHIN LIN
Independent Non-Executive Director

Mr Ong Chin Lin was appointed on 30 November 2004 as the Independent Director. He is the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee. Mr Ong had previously held senior financial and operational positions at Prima Flour Ltd, Malaysia-Beijing Travel Sdn Bhd and Nylect Technology Limited. He is currently an Independent Director of Old Chang Kee Ltd.

Mr Ong graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University in 1970. He is a fellowship member of the Institute of Chartered Accountants in England & Wales, and also a member of the Malaysia Institute of Accountants.

Senior Management

MR CHOO WAI LEONG, IVAN
Group Financial Controller

Mr Choo Wai Leong, Ivan, was appointed as our Group Financial Controller on 28 August 2018. He is responsible for overseeing the overall Group's financial operations, accounting functions and tax matters.

Mr Choo has about 20 years of experience in finance and accounting in various industries and held several senior financial roles covering financial accounting, cost and management accounting, taxation and internal control. Mr. Choo is a fellow member of The Association of Chartered Certified Accountants ("ACCA"), UK and Chartered Accountant of the Institute of Singapore Chartered Accounts ("ISCA").

MS LEE WEE BENG, VIVIAN
Group Human Resource Manager

Ms Lee Wee Beng, Vivian, joined the Group as HR Manager in June 2011. She is responsible for the Group's Human Resource program development and implementation. Ms Lee also oversees the Group's administration function.

Ms Lee has over 20 years of experience in developing people, business and operations both in Malaysia and Singapore. She has broad experience implementing service and operations excellence, process improvements and HR management programs. She holds a Bachelor Degree (Hons) in Business Administration from University of Bolton, United Kingdom.

Corporate Structure

100%
ACESIAN TECHNOLOGIES PTE LTD

100%
ACESIAN SYSTEMS PTE LTD

100%
ACESIAN ENGINEERING (M) SDN BHD

100%
ACESIAN ENGINEERING PTE LTD

100%
ACESIAN STAR (S) PTE LTD
(UNDER JUDICIAL MANAGEMENT)

100%
ACTIVE BUILDING
TECHNOLOGIES PTE LTD (INACTIVE)

100%
LINAIR TECHNOLOGIES
(SUZHOU) CO., LTD (DORMANT)

70%
SHANGHAI XIANDA INDUSTRY EQUIPMENT
INSTALLATION CO., LTD (DORMANT)

Corporate Information

COMPANY REGISTRATION NUMBER
199505699D

REGISTERED OFFICE
33 Mactaggart Road
#04-00 Lee Kay Huan Building
Singapore 368082

Tel: (65) 6757 5310

Fascimile: (65) 6757 5319

Corporate Website: http://www.acesian.com

DIRECTORS

Loh Yih
(Managing Director & Executive Director)

Neo Gim Kiong
(Non-Executive Chairman &
Lead Independent Non-Executive Director)

Wong Kok Chye
(Group Chief Operating Officer & Executive Director)

Qiu Jun
(Business Development Director (China)
& Executive Director)

Ho Ta-Huang
(Non-Executive & Non-Independent Director)

Ong Chin Lin
(Independent Non-Executive Director)

AUDIT COMMITTEE
Neo Gim Kiong (Chairman)
Ong Chin Lin
Ho Ta-Huang

NOMINATING COMMITTEE
Neo Gim Kiong (Chairman)
Ong Chin Lin
Ho Ta-Huang

REMUNERATION COMMITTEE
Ong Chin Lin (Chairman)
Neo Gim Kiong
Ho Ta-Huang

COMPANY SECRETARY
Chin Su Xian

SOLICITORS
cLegal LLC
Sim Chong LLC
Chan Neo LLP

BANKERS
United Overseas Bank Limited
DBS Bank Limited
Maybank Singapore Limited
Standard Chartered Bank (Singapore) Limited

AUDITOR
PKF-CAP LLP
6 Shenton Way #38-01
OUE Downtown 1
Singapore 068809

Partner-In-Charge
Sia Boon Tiong
(with effect from financial year 2018)

SHARE REGISTRAR
KCK CorpServe Pte Ltd
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

SPONSOR
RHT Capital Pte Ltd
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

Corporate Governance

The Board of Directors (the "**Board**" or the "**Directors**") of Acesian Partners Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining good corporate governance to enhance and safeguard the interest of its shareholders. This report below describes the corporate governance framework and practices of the Company with reference to the revised Code of Corporate Governance 2012 (the "**Code**") for the financial year ended 31 December 2018 ("**FY2018**"). Explanations are provided where there are deviations from the Code. The Company has complied with the principles of the Code where appropriate.

1. BOARD MATTERS

1.1. Board's Conduct of Affairs

Principle 1: Every Company should be headed by a long-term effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with the Executive Directors and the executive officers of the Company (collectively known as the "Management") to achieve this and the Management remains accountable to the Board.

The primary function of the Board is to protect and enhance long term value and returns for shareholders. Besides carrying out its statutory responsibilities, the Board's roles include:

- Providing entrepreneurial leadership and stewardship to the Company including charting its corporate strategies and business plans;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Authorizing and monitoring major investment, acquisitions, legal initiatives and strategic commitments;
- Reviewing and assessing the performance of the Management;
- Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- Establishing a framework for effective control, including the safeguarding of shareholders' interests and the Company's assets;
- Providing guidance and advice to Management;
- Being responsible for good corporate governance;
- Considering sustainability issues, including environmental and social factors, as part of the Company's strategic formulation;
- Identifying key stakeholder groups of the Company and recognising that their perceptions affect the Company's reputation; and
- Setting the Company's values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

All Directors are expected to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Corporate Governance

The Board has also adopted strict internal guidelines and financial authority limits structure setting forth matters that require Board approval. The Board's decision or specific approval is required on matters such as trade procurement exceeding S$2,000,000, capital expenditure, major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends, acceptance of bank facilities, release of the Group's half year and full year results announcements and interested person transactions of a material nature.

The Company's Constitution permits the Directors of the Company to attend meetings by means of conference telephone, audiovisual or other similar communications means.

In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2018	4	4	1	2
Directors	**Number of meetings attended in FY2018**			
Loh Yih	4	4[(1)]	1[(1)]	2[(1)]
Neo Gim Kiong[(2)]	2	2	0	1
Wong Kok Chye	4	4[(1)]	1[(1)]	2[(1)]
Qiu Jun[(3)]	1	1[(1)]	0	0
Ong Chin Lin	4	4	1	2
Ho Ta-Huang	4	4	1	2
Yeo Meng Hin[(4)]	1	1	1	1

Note:

(1) Attendance by invitation.

(2) Mr. Neo Gim Kiong was appointed as Independent Director on 2 August 2018.

(3) Mr. Qiu Jun was appointed as Executive Director on 8 August 2018. He is planning to attend the Listed Entity Director Programme, organised by SGX and Singapore Institute of Directors, held in Beijing, China in May 2019.

(4) Mr. Yeo Meng Hin resigned as Independent Director on 3 May 2018.

To assist the Board in the discharge of its responsibilities, the Board has established the Audit Committee, Nominating Committee and Remuneration Committee (collectively referred to as the "Board Committees"). Upon its establishment, the Board Committees operate within clearly defined terms of reference and operating procedures, which would be reviewed on a regular basis. Minutes of all Board Committees meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

1.2. **Board Composition and Guidance**

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently consists of six (6) Directors as follows:

Neo Gim Kiong	Non-Executive Chairman and Lead Independent Non-Executive Director
Loh Yih	Executive Director and Managing Director
Wong Kok Chye	Executive Director and Group Chief Operating Officer
Qiu Jun	Executive Director and Business Development Director (China)
Ong Chin Lin	Independent Non-Executive Director
Ho Ta-Huang	Non-Executive and Non-Independent Director

The Company endeavours to maintain a strong and independent element on the Board. At present, two (2) of the Company's Directors are independent. The Company is aware that in accordance with Guideline 2.1 of the Code, at least one-third of the Board should constitute Independent Directors.

The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs with a view in the best interests of the Company. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment, with a view in the best interests of the Company. The independence of each Director will be reviewed annually by the Nominating Committee in accordance with the definition of independence in the Code. The Nominating Committee has reviewed and is of the view that the two (2) Independent Directors are independent.

The Board notes that Mr. Ong Chin Lin ("**Mr. Ong**") has been an Independent Director of the Company for more than 9 years. The Board reviews regularly the independence of Mr. Ong, and is of the opinion and agreement that he is suitable to continue as an Independent Director of the Company. During the 14 years period, Mr. Ong had no relationship with the Company, its related companies, its 10% shareholders or its officers. Neither Mr. Ong nor any of his immediate family member has been employed by the Company or its related companies, has accepted any significant compensation by the Company or its related Company, has been a 10% shareholder, partner, Director or executive officer of an organisation which has provided or received significant payments or material services from the Company, is a 10% shareholder of the Company, or has been directly associated with a 10% shareholder of the Company. In addition, the Board also reviews the performance of each Independent Director and opines that Mr. Ong, having gained good understanding of the Group's business and operations, will be able to continue to bring in valuable expertise, experience and knowledge to the Board. To ensure continued management and governance, the Board believes that Mr. Ong can provide the necessary and required stability to work with both new and old Directors to collectively drive the Group forward.

The Board also agreed that the independence of the Independent Directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on the number of years which they have served on the Board. The Company conducts a detailed and rigorous review to ascertain and satisfy the independence of Mr. Ong.

Corporate Governance

A review of the size of the Board will be undertaken by the Company, and the Nominating Committee will also determine if the current size and composition of the Board is appropriate for the scope and nature of the Group's operations, and facilitate effective decision-making. In line with the Code, the Nominating Committee will take into account the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Nominating Committee considers the current Board size to be appropriate for effective decision-making, taking into account the nature and scope of the Group's operations.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Nominating Committee has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board to be effective, and the present composition of the Board allows it to exercise objective judgment on corporate matters and that no individual or small group of individuals dominates the decisions of the Board.

The Non-Executive Directors effectively check on Management by constructively challenging and helping to develop proposals on strategy. They monitor and review the reporting and performance of Management in meeting agreed goals and objectives. The Non-Executive Directors may meet regularly on their own as warranted without the presence of Management.

The profiles of the Directors are set out on page 4 of this Annual Report.

Upon appointment to the Board, each Director will be given appropriate briefings by the Management on the business activities of the Group, its strategic direction and the Company's corporate governance policies and practices.

Directors will be updated regularly on accounting and regulatory changes, and are encouraged to attend workshops, seminars and training, to enhance their skills and knowledge, or on relevant new laws, regulations and changing commercial risks.

1.3. Chairman and CEO

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The Non-Executive Chairman and Lead Independent Director as at the date of this report is Mr. Neo Gim Kiong and the Managing Director is Mr. Loh Yih, the former Executive Chairman, who has relinquished his Chairman role to focus his attention on the corporate development activities, the expansion of the Group's businesses and day-to-day operations of the Group. The Group Chief Operating Officer ("**COO**") is Mr. Wong Kok Chye, the former CEO, who has relinquished his role to focus on the operation and expansion of our manufacturing and distribution businesses. The Company currently does not have a CEO.

The Non-Executive Chairman leads the Board to ensure its effectiveness on all aspects of its role. He approves the agendas for the Board, and ensures that adequate time is available for discussion of all agenda items during the meetings, in particular strategic issues. The agendas for Board Committees are approved by the Non-Executive Chairman together with the respective chairpersons of the Board Committees.

The Non-Executive Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the Management and the shareholders of the Company. He encourages interactions between the Board and the senior management, as well as between the Executive and Non-Executive Directors, and promotes a culture of openness and debate at the Board. The Non-Executive Chairman also ensures that the Directors receive complete, adequate and timely information and ensures effective communication with shareholders. In addition, the Non-Executive Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines.

The Board is of the view that the separation of the roles of Non-Executive Chairman, Managing Director and the COO ensures an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision making. The Non-Executive Chairman, Managing Director and the COO are different persons and are not related to each other.

The Independent Directors will also meet periodically without the presence of the other Directors, and the Independent Directors will provide feedback to the Non-Executive Chairman after such meetings.

1.4. Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Nominating Committee

The Company has constituted a Nominating Committee to, among other things, make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans. The Nominating Committee comprises Mr. Neo Gim Kiong (Chairman of the Nominating Committee), Mr. Ong Chin Lin, and Mr. Ho Ta-Huang, the majority of whom, including the Chairman, are independent.

The primary function of the Nominating Committee is to determine the criteria for identifying candidates, review nominations for the appointment of Directors to the Board, decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:-

(a) to make recommendations to the Board on all Board appointments and re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);

(b) to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(c) to determine annually whether a Director is independent, in accordance with the guidelines contained in the Code;

(d) to decide whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular, where the Director has multiple board representations;

(e) to review and approve any new employment of related persons and the proposed terms of their employment;

(f) put in place and review Board succession plans for the Directors, and in particular, for the Chairman of the Board and the Chief Executive Officer or Managing Director of the Company;

(g) to decide how the Board's performance may be evaluated and to propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long term shareholders' value; and

(h) to review the training and professional development programs for the Board.

The Board has implemented a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as a Director.

There is a formal and transparent process for the appointment of new Directors to the Board. The Nominating Committee reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. The Nominating Committee has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In the nomination and selection process of a new Director, the Nominating Committee identifies key attributes of an incoming Director based on the requirements of the Group and recommends to the Board the appointment of the new Director. The Nominating Committee will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board.

Annually, the Nominating Committee will assess the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. The Nominating Committee is also required to determine whether Directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. The Code requires listed companies to fix the maximum number of board representations on other listed companies that their Directors may hold. The Nominating Committee has conducted an annual review of the independence of the Independent Directors, based on guidelines stated in the Code, and has ascertained that they are independent. The Nominating Committee has also fixed the maximum number of board representations on other listed companies that their Directors may hold to be nine (9) based on its assessment of the time commitment requirements for the Group and the board representations each Director can reasonably be expected to manage.

All Directors are subject to the provisions of Article 89 of the Company's Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by the shareholders at each annual general meeting, and each Director is required to subject himself for re-nomination and re-election at least once every three (3) years. In addition, any new Director appointed during the year either to fill a casual vacancy or as an addition to the Board will have to retire at the annual general meeting following his appointment, and is eligible for re-election if he/she desires so.

The Nominating Committee has recommended to the Board that – Mr. Ong Chin Lin, Mr. Wong Kok Chye, Mr. Neo Gim Kiong and Mr. Qiu Jun be nominated for re-election at the forthcoming Annual General Meeting of the Company. Mr. Ong Chin Lin will, upon re-election as a Director, remain as Chairman of Remuneration Committee and member of the Audit and Nominating Committee. Mr. Wong Kok Chye will, upon re-election as a Director, remain as the Executive Director of the Company. Mr. Neo Gim Kiong, upon re-election as a Director, remain as the Non-Executive Chairman of the Board, Chairman of Audit and Nominating Committee and member of Remuneration Committee. Mr. Qiu Jun, upon re-election as a Director, remain as the Executive Director of the Company. The current directorships and other principal commitments of Mr. Ong Chin Lin, Mr. Wong Kok Chye, Mr. Neo Gim Kiong and Mr. Qiu Jun are found in the table below.

Corporate Governance

Key information regarding the Directors, including the date of initial appointment and last re-election of each Director, together with their directorships in other companies, are set out on page 4 of this Annual Report and below:

Name of Director	Date of initial Appointment	Date of last re-election	Directorships in other listed companies		Other Principal Commitments
			Current	Past 3 Years	
Loh Yih	30 September 2013	26 April 2018	• Ban Leong Technologies Limited • International Press Softcom Limited	• Weichai Power Co. Ltd • Trek 2000 International Limited	Nil
Neo Gim Kiong	2 August 2018	N.A.	• Sen Yue Holdings Limited • Astaka Holdings Limited • Ban Leong Technologies Limited • International Press Softcom Limited	• Trek 2000 International Limited	Chief Executive Officer of Sen Yue Holdings Ltd
Wong Kok Chye	7 January 2013	28 April 2017	Nil	Nil	Nil
Qiu Jun	8 August 2018	N.A.	Nil	Nil	Chairman of Great Tang Brothers (Nanyang) Investment Group Pte Ltd
Ong Chin Lin	30 November 2004	28 April 2016	• Old Chang Kee Ltd	Nil	Nil
Ho Ta-Huang	7 December 2001	26 April 2018	Nil	Nil	Chairman of Chern Dar Enterprise Co., Ltd

There are no alternate directors appointed in the Company.

Corporate Governance

Additional information for the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Catalist Rule:

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
Date of initial appointment	30 November 2004	7 January 2013	2 August 2018	8 August 2018
Date of last re-election	28 April 2016	28 April 2017	N.A.	N.A.
Age	71	50	49	49
Country of principal residence	Singapore	Singpaore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted the Nominating Committee's recommendation, who has reviewed and considered that Mr. Ong is able to exercise judgement as the Independent Director. The Board conducts a detailed and rigorous review and considers Mr. Ong to be independent.	The Board of Directors has accepted the Nominating Committee's recommendation, who has reviewed and considered Mr. Wong's performance and contribution as Executive Director and Chief Operating Officer of the Company.	The Board of Directors has accepted the Nominating Committee's recommendation, who has reviewed and considered Mr. Neo's performance and contribution as Independent Director and Board Chairman of the Company.	The Board of Directors has accepted the Nominating Committee's recommendation, who has reviewed and considered Mr. Qiu's performance and contribution as Executive Director and Business Development Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of Remuneration Committee and member of Audit and Nominating Committee	Executive Director and Chief Operating Officer	Non-Executive Chairman, Lead Independent Non-Executive Director, Chairman of Audit and Nominating Committee and member of Remuneration Committee	Executive Director and Business Development Director (China)

Corporate Governance

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
Working experience and occupation(s) during the past 10 years		2000 to Present Executive Director and Chief Operating Officer of Acesian Partners Limited	2015 to Present Executive Director and Chief Executive Officer of Sen Yue Holdings Ltd 2004 to Present Founding Director of Bizmen Corporation Pte Ltd and Dollar Tree Inc Pte Ltd 2009 to 2011 Executive Director and Chief Executive Officer of Jackspeed Corporation Limited	2014 to Present Chairman of Great Tang Brothers (Nanyang) Investment Group Pte. Ltd 2000 to Present Chairman of Shanxi Brother Real Estate Co., Ltd 2000 to Present Chairman of Shanxi North-West Metal Logistics Co., Ltd
Shareholding interest in the listed issuer and its subsidiaries	402,000 ordinary shares (0.08%) in the share capital of the Company	7,401,000 ordinary shares (1.48%) (direct and deemed interest) in the share capital of the Company	NIL	74,600,000 ordinary shares (14.96%) in the share capital of the Company
Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments and Directorships				
Past (for the last 5 years)	Yi-Lai Berhad	N.A.	Audion Innovision Pty Ltd Universal Resource and Services Ltd Trek2000 International Ltd	N.A.

Corporate Governance

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
Present	Old Chang Kee Ltd	N.A.	Sen Yue Holdings Ltd Astaka Holdings Limited International Press Softcom Ltd Ban Leong Technologies Ltd Ban Leong Technologies Australia Pty Ltd Dollar Tree Inc Pte Ltd Bizmen Corporation Ptd Ltd AV Labs International Pte Ltd Gifted and Talented Education Pte Ltd BLC (China) Ltd SYH E-Waste Management Pte Ltd PNE Micron Engineering Sdn Bhd PNE-SINO Pte Ltd SYH Resources Pte Ltd CED System Sdn Bhd PNE Micron (Kuala Lumpur) Sdn Bhd Hong Nam Industry (M) Sdn Bhd PNE Marvellous Sdn Bhd Macore Technology (M) Sdn Bhd PNE Precision Sdn Bhd SMC Industrial (UK) Co Ltd SMC Industrial (HK) Limited	Great Tang Brothers (Nanyang) Investment Group Pte. Ltd

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
Information required pursuant to Catalist Rule 704(6)				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

Corporate Governance

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

Details	Directors			
	Ong Chin Lin	**Wong Kok Chye**	**Neo Gim Kiong**	**Qiu Jun**
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No

Corporate Governance

Details	Directors			
	Ong Chin Lin	Wong Kok Chye	Neo Gim Kiong	Qiu Jun
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	Yes+	No
Disclosure applicable to the appointment of Director only.				
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.	N.A.	N.A.
If yes, please provide details of prior experience	N.A.	N.A.	N.A.	N.A.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	N.A.

+ Around 2013, Mr Neo was investigated by CAD regarding his involvement for the non-compliance of Section 162 of the Companies Act, Cap. 50 in relation to the grant of staff loan to a director of a subsidiary of a Singapore Listed company around October 2009 without prior shareholder approval of that subsidiary. Mr Neo was the Chief Executive Officer of the listed company at the relevant time. The staff loan was a sum of S$50,000, which was granted to that subsidiary's director to pay for the medical expense of his mother, was granted with the joint approval of the Chairman of the board of listed company in accordance with the authority approval matrix of the listed company, and the Group Financial Controller/Company Secretary was also involved in handling the procedures relating to the loan. The staff loan was repaid in full by the relevant director in May 2010. Mr Neo was issued with a letter of warning by CAD in January 2014 in relation to the same. No charges were filed.

1.5. Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

Review of the Board's performance will be conducted by the Nominating Committee annually. The Nominating Committee is guided by its terms of reference which sets out its responsibility for assessing the Board's effectiveness as a whole, the effectiveness of its Board Committees, and the contribution from each individual Director to the effectiveness of the Board. The Board, through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In assessing the effectiveness of the Board, the Nominating Committee considers a number of factors, including the discharge of the Board's functions, access to information, participation at Board meetings and communication and guidance given by the Board to the Management. The Nominating Committee's focus in the assessment of the Board's effectiveness is on its ability to provide supervision and oversight to the Management.

With regard to the performance evaluation process, each Director will complete an evaluation questionnaire to assess the performance of the Board as a whole and his individual performance, and provide the feedback to the Nominating Committee. Each member of the Audit Committee, Nominating Committee and Remuneration Committee will also complete evaluation questionnaires in respect of the Audit Committee, Nominating Committee and Remuneration Committee respectively. A summary report will be compiled by the Chairman of the Nominating Committee and submitted to the Chairman of the Board for analysis and discussion with a view to implement certain recommendations to further enhance the effectiveness of the Board. If necessary, a copy of the summary report will be extended to the individual Director for information and feedback. No external facilitator was used in the evaluation process.

In reviewing the Board's effectiveness as a whole, the Nominating Committee shall take into account feedback from Board members as well as the Director's individual skills and experience. The Nominating Committee will also consider the guidelines set out in the Code for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives. The Nominating Committee is of the view that although some of the Directors have multiple board representations, these Directors are able and have been adequately carrying out their duties as Directors of the Company.

The Nominating Committee, having reviewed the overall performance of the Board and the respective committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and each individual Director's performance, is of the view that the performance of the Board, the respective committees and each individual Director has been satisfactory.

Corporate Governance

1.6. Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. The Management reports to the Board the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner. Prior to each Board meeting, the Board members are each provided with the relevant documents and the necessary information to allow the Board to comprehensively understand the issues to be deliberated upon and to make informed decisions thereon, including periodic financial summary reports, budgets, forecasts and other disclosure documents. In respect of budgets, any material variances between projections and actual results of the Company will be reviewed by the Directors, and will be disclosed and explained by the Company to the shareholders. Directors are also entitled to request from Management additional information required to make informed decisions, which the Management will provide in a timely manner.

In exercising their duties, the Directors have unrestricted, separate and independent access to the Company's Management, company secretary ("**Company Secretary**") and independent auditors. The Company Secretary attends all Board meetings of the Company, ensures a good flow of information within the Board and between the Management and the Non-Executive Directors, attends to corporate secretarial administration matters, and advises the Board on governance matters, ensuring Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is a matter to be approved by the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill his duties and responsibilities as Director.

2. REMUMERATION MATTERS

2.1. Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Remuneration Committee comprises Mr. Ong Chin Lin (Chairman of the Remuneration Committee), Mr. Neo Gim Kiong and Mr. Ho Ta-Huang, the majority of whom, including the Chairman, are independent. The Remuneration Committee will meet at least once a year and is regulated by a set of written terms of reference that sets out its duties and responsibilities. Amongst them, the Remuneration Committee shall:–

(a) recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for each Executive Director and the key executives of the Company. The Remuneration Committee's recommendations should cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) review, on an annual basis, the remuneration and any adjustments to the remuneration of employees who are related to the Directors and substantial shareholders of the Company, to ensure that their remuneration packages are in line with the Group's employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of the Remuneration Committee;

(c) review the remuneration of the Executive Directors within a reasonable period from the Board's approval of the audited financial statements for the immediate preceding financial year and review the remuneration of the key management personnel (who are not also Directors or the CEO/Managing Director) of the Company at the end of each calendar year;

(d) determine performance-related elements of remuneration to align the interests of the Executive Directors with those of shareholders and link rewards to corporate and individual performance. Performance assessment measures should be appropriate and meaningful;

(e) consider whether Directors should be eligible for benefits under long-term incentive schemes;

(f) administer the Company's share option scheme;

(g) consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and key executives of the Company, in addition (if appropriate) to those required by law or by the Code.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has met to consider and review the remuneration packages of the Executive Directors and key executive officers, including those employees related to the Executive Directors and controlling shareholders of the Company.

The Remuneration Committee may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. Among other matters, this helps the Company to stay competitive in its remuneration packages. No independent external consultants have been engaged by the Company for this purpose for FY2018.

2.2. Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Remuneration Committee takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Independent Directors and Non-Executive Directors receive a fixed Directors' fees plus a variable component, in accordance with their contribution, taking into account factors such as effort, time spent, and responsibilities of each Director. The Remuneration Committee recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors and Non-Executive Director, yet not over-compensate them to the extent that their independence (if applicable) may be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

Corporate Governance

The Company's Executive Directors, namely Mr. Loh Yih, Mr. Qiu Jun and Mr. Wong Kok Chye are remunerated based on their service agreements with the Company. The service agreements have a fixed term of three (3) years with a notice period of three (3) months. The remuneration comprises a fixed salary and performance bonuses linked to corporate and individual performances where appropriate, and is designed to align the interests of the Executive Directors with those of shareholders. Independent and Non-Executive Directors do not have service contracts with the Company.

The Group has also entered into letters of employment with all executive officers. Such letters typically provide for the salaries payable to the executive officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with the interests of shareholders to promote the long-term success of the Company. The Company's Share Plan (defined below) is administered by the Remuneration Committee with such discretion, powers and duties as are conferred on it by the Board. A member of the Remuneration Committee shall not be involved in the deliberations of the Remuneration Committee in respect of the grant of awards to him. The Company has not granted any shares under its Share Plan (defined below).

The recommendations of the Remuneration Committee will be submitted to the Board for endorsement. The Remuneration Committee will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

2.3. Disclosure on Remuneration

Principle 9: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The breakdown of remuneration of the Directors of the Company for FY2018 is as follows:

Directors/ Managing Director	Remuneration (S$)	Fees (S$)	Fees %	Salaries %	Bonus %	Other Benefits %	Total %
S$250,000 to S$500,000							
Loh Yih	In between 250,000 to 500,000	–	–	80	–	20	100
Below S$250,000							
Wong Kok Chye	Below 250,000	–	–	81	–	19	100
Qiu Jun	Below 250,000	–	–	88	–	12	100
Neo Gim Kiong(1)	–	10,000	100	–	–	–	100
Ong Chin Lin	–	20,000	100	–	–	–	100
Ho Ta-Huang	–	30,000	100	–	–	–	100
Yeo Meng Hin(2)	–	6,667	100	–	–	–	100

Note:

(1) Director's fee for Mr. Neo Gim Kiong is $24,000 pro-rated from 2 August 2018 (Date of Appointment).

(2) Director's fee for Mr. Yeo Meng Hin is $20,000 pro-rated till 3 May 2018 (Date of Resignation).

In view of the competitive pressures in the talent market, the remuneration paid to the Managing Director, Chief Operating Officer and Executive Director are disclosed in bands.

Details of remuneration paid to key executive officers of the Group for FY2018 are as follows:

Key Executive Officers	Salaries %	Bonus %	Other Benefits %	Total %
Below S$250,000				
Lee Wee Beng	88	–	12	100
Choo Wai Leong (appointed on 28 Aug 2018)	89	–	11	100
Ng Yui Wei (resigned on 14 Feb 2018)	88	–	12	100

The total remuneration paid to the top two key management personnel (who are not Directors or Managing Director) for FY2018 are disclosed in bands. Save for the three key executive officers described in the table above, the Company does not have any other key management personnel. The Company continues to disclose remuneration in bands in order to lower the risk of competitors approaching the Company's staff.

The Company confirms that no employee is an immediate family member of any Director and whose remuneration exceeded S$50,000 during FY2018.

Linair (now known as Acesian) Performance Bonus Share Plan

The Linair (now known as Acesian) Performance Bonus Share Plan ("**Share Plan**") was approved by the shareholders of the Company on 27 November 2008, and has been renewed by the shareholders at the last annual general meeting held on 26 April 2018. The Share Plan was introduced to promote higher performance goals and recognize commendable exceptional achievement, and to encourage a sense of belonging in its employees. The Share Plan is designed to reward its participants by the issue and/or transfer of fully-paid shares in the Company according to the extent to which they achieve their performance targets over set performance periods.

As of the date of this report, the Company has not granted any shares under its Share Plan.

The Company's staff remuneration policy is based on each individual's rank and role, the individual performance, the Group's performance and industry benchmarking gathered from companies in comparable industries. The remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committees' meetings. Non-Executive Directors who perform services through Board Committees will be paid additional basic and attendance fees for such services. No Director decides his own fees. Directors' fees will be reviewed periodically to benchmark such fees against the amounts paid by other major listed companies.

Corporate Governance

3. ACCOUNTABILITY AND AUDIT

3.1. Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholder's confidence and trust in the Board's capability and integrity.

Currently, the Company is required to release half year and full year results announcements pursuant to the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"). In this respect, the Board, with the assistance of the Management, strives to provide a balanced and understandable assessment of the Group's performance, position and prospects. The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. The Board is provided with the management accounts of the Group's performance and position on a monthly basis.

The Board has also established written policies of the Company to ensure compliance of the Company with legislative and regulatory requirements, including requirements under the Catalist Rules.

3.2. Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's asset, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board and Audit Committee will review on an annual basis the adequacy and effectiveness of the Company's risk management and internal controls system, including financial, operational, compliance and information technology controls.

With the assistance of the internal audit function of the Company and through the Audit Committee, the Board reviews the adequacy and effectiveness of the Company's risk management policies and systems, and key internal controls at least on an annual basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis. There are formal procedures in place for both the internal and external auditors to report conclusions and recommendations to Management and to the Audit Committee independently.

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities and based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate to address the key financial, operational and compliance risks. Additionally, the Board is satisfied that the above mentioned internal controls including information technology controls and risk management systems are adequate and effective to address its key business risks at reporting date.

The Board has also received assurances from the Group Chief Operating Officer and Group Financial Controller that:

a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

b) the Company's risk management and internal control systems were adequate and effective as at 31 December 2018.

The Board understands that it may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Company currently does not have a separate board risk committee and will look into the need for establishment of a separate board risk committee at a relevant time.

3.3. Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises Mr. Neo Gim Kiong (Chairman of Audit Committee), Mr. Ong Chin Lin, and Mr. Ho Ta-Huang, the majority of whom, including the Chairman, are independent.

The Audit Committee members collectively possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

It functions under a set of written terms of reference which sets out its responsibilities below. The Audit Committee also has explicit authority to investigate any matter within its terms of reference.

(a) review the scope and results of the audit and its cost effectiveness;

(b) review the independence and objectivity of the external auditors annually;

(c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;

(d) review the half year and full year financial results before submission to the Board for approval;

(e) review the adequacy of the Group's internal controls, as set out in the Code;

(f) review the effectiveness of the Group's internal audit function;

(g) meet periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's Management;

(h) consider and recommend to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;

(i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(j) review the external and internal auditors' reports;

(k) review the co-operation given by the Group's officers to the external auditors;

(l) review and approve interested persons transactions, if any, falling within the scope of Chapter 9 of the Catalist Rules;

(m) review the adequacy of the business risk management process;

(n) review potential conflicts of interest, if any, and ensuring procedures for resolving such conflicts are strictly adhered to;

(o) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(p) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

(q) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, or by such amendments made thereto from time to time.

In addition to reviewing the effectiveness of the Group's internal audit function, the internal auditor's primary line of reporting is to the Chairman of the Audit Committee.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the Audit Committee will abstain from any deliberations and/or voting in respect of matters in which he is interested.

The Audit Committee has full access to the Management and also full discretion to invite any Director or key Management to attend its meetings, and has been given reasonable resources to enable it to discharge its function properly.

The Audit Committee has met with the external auditors, without the presence of Management, at least once in FY2018. The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for their re-appointment as external auditors of the Company at the forthcoming annual general meeting. The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed re-appointment of PKF-CAP LLP as the external auditors of the Company. The Audit Committee, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. No non-audit fee was paid to the external auditors during FY2018. The aggregate amount of audit fees paid to the external auditors for the financial year ended 31 December 2018 is $100,500. None of the Audit Committee members were former partners or directors of PKF-CAP LLP.

The Group has established a whistle-blowing policy that seeks to provide a channel for the Group's employees to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The Audit Committee will address the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and for appropriate follow-up actions. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have direct impact on financial statements, with training conducted by professional or external consultants.

3.4. Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining an internal audit function to maintain a sound system of internal control within the Group to safeguard shareholders' investments and the Company's assets. The Audit Committee has the responsibility to review annually the adequacy and effectiveness of the internal audit function, review the internal audit program and ensure co-ordination between the internal auditor, external auditor and Management, and ensure that the internal auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies, in particular, the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Audit Committee will also approve the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to.

The internal audit function of the Group has been tasked in-house for FY2018 and their primary line of reporting is to the Audit Committee. On 10 January 2019, the Audit Committee appointed an external Internal Auditor, Yang Lee & Associates, to provide internal audit function for the financial year ending 31 December 2019. The objective of the internal audit function is to provide an independent review on the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the Audit Committee on the Group's controls and governance processes. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. An annual internal audit plan which entails the review of the effectiveness of the Group's controls has been developed by the internal auditor. The Audit Committee is satisfied that the internal audit function has been adequately resourced and has the appropriate standing within the Group.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1. Shareholders Rights and Communication with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

Pertinent information is communicated to shareholders on a regular and timely basis via SGXNET announcements and news releases. The Group also maintains a website at http://www.acesian.com, at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases and profiles of the Group.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half year and full year are released to shareholders within 45 and 60 days of the half year end and full year end, respectively.

Corporate Governance

The Board establishes and maintains regular dialogue with its shareholders, to gather views or inputs and to address shareholders' concerns. The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Save for nominee companies, any shareholder who is unable to attend is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Nominee shareholders are allowed to appoint more than two proxies to allow for shareholders who hold shares through such nominee companies to attend and participate in the meetings of the Company as proxies.

The Company does not have a fixed policy on payment of dividends; instead the issue of the payment of dividends is deliberated seriously and at length by the Board annually having regard to various factors. Where dividends are not paid, the Company discloses the reasons. The Company did not pay any dividends in respect of FY2018 in view of the challenging operating environment.

The Company did not engage a dedicated investor relations team but has personnel to handle investor queries and deal with all matters related to investor relations. The Company will review the need for a dedicated investor relations team.

4.2. Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at annual general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

At the annual general meeting, the shareholders of the Company will be given the opportunity to voice their views and direct to the Directors or the Management questions regarding the Company. At the Company's general meetings, each distinct issue is proposed as a separate resolution, and all resolutions will be voted on by poll.

The Chairman of each of the Board Committees is required to be present to address questions at the annual general meeting. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

After the annual general meeting, the Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentage, and will prepare minutes of the annual general meeting. Such minutes are available to shareholders upon their request.

In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders are put to vote by Poll, using polling slips, the proceedings of which will be explained by the appointed scrutineer at the general meetings of shareholders. Having undertaken a cost-benefit analysis, the Company has decided not to undertake electronic polling at this juncture. However, the Company will consider the e-polling services in due course.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

In line with Rule 1204 (19) of the Catalist Rules on Dealing in Securities, the Company issues circulars to its directors and employees, to remind them that (i) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (ii) they are required to report on their dealings in shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half year and full year financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule during FY2018.

Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

6. MATERIAL CONTRACTS

Save as disclosed above, there was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the Managing Director, any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

7. INTERESTED PERSON TRANSACTIONS (“IPTs”)

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm’s length basis that are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board. Besides the information disclosed below, there are no other IPTs conducted during FY2018 which exceeds S$100,000 in value.

Name of Interested Person	**Aggregate value of all IPTs conducted during FY2018 (excluding transactions less than S$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)**	**Aggregate value of all IPTs conducted during FY2018 under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	$’000	**$’000**
Chern Dar Enterprise Co., Ltd		
Purchases	–	644

The Group has obtained a General Mandate for Interested Person Transactions on 26 April 2018.

8. RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the Audit Committee.

9. NON-SPONSORS FEES

The Company has appointed RHT Capital Pte. Ltd. ("**RHT Capital**") as the Company's Continuing Sponsor with effect from 23 May 2014.

The Directors and Management of the Company would consult RHT Capital on all material matters relating to compliance with the Catalist Rules, listing and quotation of its securities and documents to be released to shareholders, to ensure that such documents are in compliance with the Catalist Rules and proper disclosures are made.

There is no non-sponsor fee paid by the Company to RHT Capital during FY2018.

Financial Contents

Directors' Statement

For the financial year ended 31 December 2018

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Acesian Partners Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Loh Yih	
Wong Kok Chye	
Ho Ta-Huang	
Ong Chin Lin	
Neo Gim Kiong	(appointed on 2 August 2018)
Qiu Jun	(appointed on 8 August 2018)

Arrangements to enable directors to acquire shares and debentures

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

Directors' Statement

For the financial year ended 31 December 2018

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations except as follows:

Name of corporation: Acesian Partners Limited	**Holdings registered in the name of director**		**Holdings in which a director is deemed to have an interest**	
	Number of ordinary shares fully paid			
	At the beginning of financial year or date of appointment	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Loh Yih	31,645,202	54,184,202	47,449,000	47,449,000
Wong Kok Chye	6,822,000	6,822,000	579,000	579,000
Qiu Jun	74,600,000	74,600,000	–	–
Ho Ta-Huang	–	–	45,583,000	45,583,000
Ong Chin Lin	402,000	402,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

Share options

No options to take up unissued shares of the Company or of its subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Directors' Statement

For the financial year ended 31 December 2018

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Neo Gim Kiong (Chairman)
Ong Chin Lin
Ho Ta-Huang

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviewed the half yearly and annual results announcement and the independent auditor's report on the year end consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group's and the Company's key internal controls, including financial, operational and compliance controls and risk management process via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management separately to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed any complaints received from anonymous parties including investigating the matter and reporting to the Board the outcome and action required to resolve the matter;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC confirmed that there are no non-audit services provided by the external auditor to the Group. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. In performing its function, the AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

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

The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

Auditor

PKF-CAP LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Loh Yih Director	Wong Kok Chye Director

5 April 2019

Independent Auditor's Report

To the Members of Acesian Partners Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Acesian Partners Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 98.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) *Opening balances and significant uncertainties*

The independent auditor's report on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company dated 6 April 2018 in respect of the financial statements for the financial year ended 31 December 2017 included a disclaimer of opinion on the following matters, which remain unresolved in the current financial year ended 31 December 2018:

As disclosed in Note 2 to the financial statements, Acesian Star (S) Pte. Ltd. ("ASPL"), a wholly-owned subsidiary of the Group is in dispute with one of its major customers, Takenaka Corporation ("TC").

In June 2016, ASPL commenced adjudication proceedings by way of Security of Payment ("SOP") proceedings against TC in relation to the proposed development of Terminal 4 at Singapore Changi Airport ("T4 Sub-contract") which the adjudication tribunal ruled in the favour of ASPL. Subsequently, TC terminated all its contracts with ASPL namely, Terminal 1 Extension at Changi Airport ("T1E Sub-contract") and T4 Sub-contract and made multiple counterclaims ("counterclaims") comprising back charges and liquidated damages against ASPL.

On 23 January 2017, ASPL's application to be placed under Judicial Management was approved by the High Court and ASPL remains under Judicial Management as at reporting date. In July 2017, the Judicial Managers ("JM") of ASPL rejected TC's Proof of Debt ("POD").

On 21 September 2017, the JM filed notice of arbitration with the Singapore International Arbitration Centre ("SIAC") in respect of the disputes with TC in relation to T4 Sub-contract work. The arbitration is ongoing and outcome of the arbitration is uncertain.

As a result, the recoverability and classification of the assets and the completeness and classification of liabilities of the Group as at reporting date cannot be reliably determined by the management.

In view of the matters described in the *Basis for Disclaimer of Opinion* paragraphs on the financial statements for the financial year ended 31 December 2017, we were unable to determine whether the opening balances of the Group as at 1 January 2018 were fairly presented. Since the opening balances as at 1 January 2018 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2018, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2018.

Report on the Audit of the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

1) *Opening balances and significant uncertainties (continued)*

Our opinion on the current year's consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company is also modified because of the possible effects of the abovementioned matters on the comparability of the current year's figures and the corresponding figures.

2) *Limitation of scope in auditing the financial statements of ASPL for the financial year ended 31 December 2018*

As mentioned above, on 23 January 2017, the High Court approved the application by ASPL to be placed under Judicial Management. The financial statements of ASPL for the financial year ended 31 December 2018 are not audited as the Judicial Managers are of the view that the audit of the financial statements should be carried out only after they have completed their duties. As at 31 December 2018, ASPL is still under Judicial Management. The unaudited financial statements of ASPL for the financial year ended 31 December 2018 were consolidated with the financial statements of the Company.

As at 31 December 2018, the unaudited total assets and liabilities of ASPL included in the Group's statement of financial position are $9,572,757 and $3,343,085 respectively. The unaudited revenue and comprehensive loss of ASPL for the financial year ended 31 December 2018 are $Nil and $1,117,262 respectively.

As ASPL is a material component of the Group, this constitutes a limitation of scope on our work as Group auditors.

3) *The Company's investment in ASPL and amount due from ASPL*

Due to the circumstances as described in paragraph (2) above, the Company has not been able to perform an impairment test on the investment in ASPL of $7,414,358 as well as the nominal amount due from ASPL of $13,831,981, of which allowance for impairment loss of $9,292,858 has been provided in the prior year and the net carrying amount of receivable of $4,539,123 was recorded in its books as at 31 December 2018. As a result, we were not able to assess whether the investment in ASPL as well as the amount due from ASPL are impaired and if impaired, the amount of impairment loss to be recognised in the profit or loss.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Independent Auditor's Report

To the Members of Acesian Partners Limited

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an independent auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for those matters described in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

As no audit has been carried out on the financial statements of ASPL for the financial year ended 31 December 2018 as described above, we do not express an opinion on whether the accounting and other records of ASPL have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Sia Boon Tiong.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore
5 April 2019

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	The Group 2018 $	2017 $
Revenue	5(a)	**20,543,976**	12,041,486
Cost of sales		**(14,007,792)**	(8,331,483)
Gross profit		**6,536,184**	3,710,003
Other operating income	6	**988,442**	8,199,704
Administrative expenses		**(4,607,379)**	(4,675,182)
Other operating expenses		**(1,571,510)**	(9,731,729)
Finance costs	7	**(18,662)**	(16,138)
Profit/(loss) before tax	8	**1,327,075**	(2,513,342)
Income tax (expense)/credit	10	**(224,952)**	89,643
Profit/(loss) for the year		**1,102,123**	(2,423,699)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		**87,806**	234,413
Total comprehensive income/(loss) for the year, net of tax		**1,189,929**	(2,189,286)
Profit/(loss) attributable to:			
Owners of the Company		**1,120,973**	(2,416,889)
Non-controlling interests		**(18,850)**	(6,810)
		1,102,123	(2,423,699)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**1,142,467**	(2,182,476)
Non-controlling interests		**47,462**	(6,810)
		1,189,929	(2,189,286)
Earnings/(loss) per share attributable to owners of the Company (cents per share):	11		
- Basic		**0.24**	(0.65)
- Diluted		**0.24**	(0.65)

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

Statements of Financial Position

As at 31 December 2018

	Note	The Group			The Company		
		31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
		$	$	$	**$**	$	$
Assets							
Non-current assets							
Plant and equipment	12	**1,976,169**	1,056,824	1,130,236	**76,111**	204,511	45,873
Investment in subsidiaries	13	**–**	–	–	**8,732,920**	8,732,920	7,702,920
		1,976,169	1,056,824	1,130,236	**8,809,031**	8,937,431	7,748,793
Current assets							
Inventories	15	**3,024,891**	2,045,563	1,395,229	**–**	–	–
Trade and other receivables	16	**9,264,383**	8,077,705	7,666,999	**6,163,455**	21,863,481	18,443,282
Contract assets	5(b)	**5,827,202**	5,227,835	9,229,065	**–**	–	–
Prepaid operating expenses		**126,896**	386,309	116,695	**5,186**	30,778	53,357
Fixed deposits pledged	17	**170,371**	246,645	269,584	**111,267**	190,988	110,712
Cash and bank balances	18	**6,025,335**	2,895,124	7,233,040	**1,887,228**	542,186	3,861,019
		24,439,078	18,879,181	25,910,612	**8,167,136**	22,627,433	22,468,370
Total assets		**26,415,247**	19,936,005	27,040,848	**16,976,167**	31,564,864	30,217,163
Equity and liabilities							
Current liabilities							
Trade and other payables	19	**11,519,623**	9,709,005	14,169,156	**1,793,341**	22,576,564	21,332,305
Contract liabilities	5(b)	**170,573**	–	–	**–**	–	–
Income tax payable		**155,449**	2,449	203,330	**–**	–	–
Obligation under finance lease	20	**205,393**	4,721	95,897	**–**	–	–
Provisions	21	**740,232**	–	–	**–**	–	–
		12,791,270	9,716,175	14,468,383	**1,793,341**	22,576,564	21,332,305
Non-current liabilities							
Deferred tax liabilities	14	**56,308**	–	109,006	**–**	–	–
Obligation under finance lease	20	**283,933**	–	54,343	**–**	–	–
		340,241	–	163,349	**–**	–	–
Total liabilities		**13,131,511**	9,716,175	14,631,732	**1,793,341**	22,576,564	21,332,305
Equity							
Share capital	22	**20,321,774**	18,193,154	18,193,154	**20,321,774**	18,193,154	18,193,154
Accumulated losses		**(5,658,881)**	(6,525,211)	(4,108,322)	**(5,138,948)**	(9,204,854)	(9,308,296)
Foreign currency translation reserve	23	**(1,474,535)**	(1,496,029)	(1,730,442)	**–**	–	–
Attributable to owners of the Company		**13,188,358**	10,171,914	12,354,390	**15,182,826**	8,988,300	8,884,858
Non-controlling interests		**95,378**	47,916	54,726	**–**	–	–
Total equity		**13,283,736**	10,219,830	12,409,116	**15,182,826**	8,988,300	8,884,858
Total equity and liabilities		**26,415,247**	19,936,005	27,040,848	**16,976,167**	31,564,864	30,217,163

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

Statements of Changes In Equity

For the financial year ended 31 December 2018

The Group	Note	Share capital	Accumulated losses	Foreign currency translation reserve	Total	Non–controlling interests	Total
		← Attributable to owners of the Company			→		
		$	$	$	$	$	$
Balance at 1 January 2017		18,193,154	(4,108,322)	(1,730,442)	12,354,390	54,726	12,409,116
Loss for the year		–	(2,416,889)	–	(2,416,889)	(6,810)	(2,423,699)
Other comprehensive income							
Exchange difference on translation of foreign operations, net of tax		–	–	234,413	234,413	–	234,413
Total comprehensive (loss)/ income for the year		–	(2,416,889)	234,413	(2,182,476)	(6,810)	(2,189,286)
Balance at 31 December 2017		18,193,154	(6,525,211)	(1,496,029)	10,171,914	47,916	10,219,830
Balance at 1 January 2018 (FRS framework)		**18,193,154**	**(6,525,211)**	**(1,496,029)**	**10,171,914**	**47,916**	**10,219,830**
Cumulative effects of adopting SFRS(I)	**3.2**	**–**	**(254,643)**	**–**	**(254,643)**	**–**	**(254,643)**
Balance at 1 January 2018 (SFRS(I) framework)		**18,193,154**	**(6,779,854)**	**(1,496,029)**	**9,917,271**	**47,916**	**9,965,187**
Profit/(loss) for the year		**–**	**1,120,973**	**–**	**1,120,973**	**(18,850)**	**1,102,123**
Other comprehensive income							
Exchange difference on translation of foreign operations, net of tax		**–**	**–**	**21,494**	**21,494**	**66,312**	**87,806**
Total comprehensive income for the year		**–**	**1,120,973**	**21,494**	**1,142,467**	**47,462**	**1,189,929**
Issuance of ordinary shares	**22**	**2,128,620**	**–**	**–**	**2,128,620**	**–**	**2,128,620**
Balance at 31 December 2018		**20,321,774**	**(5,658,881)**	**(1,474,535)**	**13,188,358**	**95,378**	**13,283,736**

Statements of Changes In Equity

For the financial year ended 31 December 2018

The Company	**Note**	**Share capital**	**Accumulated losses**	**Total**
		$	**$**	**$**
Balance at 1 January 2017		18,193,154	(9,308,296)	8,884,858
Profit for the year representing total comprehensive income for the year		–	103,442	103,442
Balance at 31 December 2017		18,193,154	(9,204,854)	8,988,300
Balance at 1 January 2018		**18,193,154**	**(9,204,854)**	**8,988,300**
Profit for the year representing total comprehensive income for the year		**–**	**4,065,906**	**4,065,906**
Issuance of ordinary shares	22	**2,128,620**	**–**	**2,128,620**
Balance at 31 December 2018		**20,321,774**	**(5,138,948)**	**15,182,826**

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	The Group	
	2018	2017
	$	$
Operating activities		
Profit/(loss) before tax	**1,327,075**	(2,513,342)
Adjustments for:		
Allowance for impairment loss on trade and other receivables	**124,661**	278,812
Allowance for impairment loss on trade receivables written back	**(302,016)**	(28,000)
Allowance for impairment loss in contract assets	**–**	9,210,315
Bad debt written off	**–**	28,000
Depreciation of plant and equipment	**372,592**	331,829
Gain on disposal of plant and equipment	**–**	(16,606)
Written-off of plant and equipment	**15,712**	–
Interest expense	**18,662**	16,138
Interest income	**(1,447)**	(4,271)
Write down for slow-moving inventories	**92,441**	31,483
Provisions	**740,232**	–
Exchange differences	**101,208**	112,292
Operating cash flows before changes in working capital	**2,489,120**	7,446,650
Increase in inventories	**(1,071,769)**	(681,817)
Increase in trade and other receivables and contract assets	**(1,603,921)**	(6,074,146)
Increase/(decrease) in trade and other payables and contract liabilities	**2,130,392**	(4,460,151)
Cash flows generated from/(used in) operations	**1,943,822**	(3,769,464)
Interest received	**1,447**	4,271
Income taxes paid	**(121,475)**	(205,311)
Net cash flows generated from/(used in) operating activities	**1,823,794**	(3,970,504)
Investing activities		
Proceeds from disposal of plant and equipment	**–**	88,031
Purchase of plant and equipment	**(776,045)**	(316,725)
Proceeds from government grant	**100,820**	-
Net cash flows used in investing activities	**(675,225)**	(228,694)
Financing activities		
Proceeds on issuance of ordinary shares	**2,128,620**	–
Decrease in fixed deposits pledged	**76,274**	22,939
Garnishee order on bank balance	**–**	(43,370)
Repayment of obligation under finance leases	**(161,220)**	(145,519)
Interest paid	**(18,662)**	(16,138)
Net cash flows generated from/(used in) financing activities	**2,025,012**	(182,088)
Net increase/(decrease) in cash and cash equivalents	**3,173,581**	(4,381,286)
Cash and cash equivalents at the beginning of the year	**2,851,754**	7,233,040
Cash and cash equivalents at the end of the year (Note 18)	**6,025,335**	2,851,754

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

Notes to the Financial Statements

For the financial year ended 31 December 2018

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

1 General information

Acesian Partners Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 33 Mactaggart Road, #04-00, Singapore 368082.

The principal activities of the Company consist of supply and installation of environment-control exhaust systems and investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2 Significant uncertainties in relation to termination of contracts

On 9 October 2014, Takenaka Corporation ("**TC**") appointed the Company's subsidiary, Acesian Star (S) Pte. Ltd. ("**ASPL**") as its sub-contractor for the project at Terminal 4 of the Singapore Changi Airport ("**T4 Sub-Contract**") at an aggregate contract value of $24.4 million. In addition, on 25 August 2015, the Company announced that TC has awarded a contract to ASPL to provide air conditioning mechanical ventilation system ("**ACMV**") services for the proposed development at Terminal 1 Extension at Changi Airport ("**T1E Sub-Contract**") at an aggregate contract amount of $14.7 million.

In 2016, disputes arose between ASPL and TC over the specification and scope of the contract. As a result, certain project and variation claims were not certified and payments were delayed. The Board made an announcement on 7 October 2016 stating that they foresee adverse financial impact or consequence on the Group's operations if the outcome of the dispute in respect of **T4 Sub-Contract** was unfavourable.

In June 2016, ASPL commenced adjudication proceedings by way of Security of Payment ("**SOP**") proceedings against TC in relation to the **T4 Sub-Contract** which the adjudication tribunal ruled in the favour of ASPL.

Subsequently, TC terminated its contracts with ASPL, namely **T1E Sub-Contract** and **T4 Sub-Contract** on 9 November 2016 and 16 November 2016 respectively. On 20 January 2017, ASPL served a letter to TC that ASPL intends to refer the disputes arising from **T4 Sub-Contract** to arbitration under the Singapore International Arbitration Centre.

On 23 January 2017, ASPL's application to be placed under Judicial Management was approved by the High Court, with Mr. Tam Chee Chong and Mr. Lim Loo Khoon c/o Deloitte & Touche LLP ("**JM**") being appointed as Judicial Managers. Subsequently Mr. Tam Chee Chong was replaced by Mr. Andrew Grimmett on 14 February 2018.

On 24 July 2017, the Company announced that the JM filed an application for leave of Court to convene a meeting with creditors of ASPL to consider and approve a proposed scheme of arrangement offered by the Company to buyout the adjudicated trade creditors' sum totalling $12.1 million.

In July 2017, the JM rejected TC's Proof of Debt ("**POD**").

On 17 August 2017, the JM held the creditors' meeting on the proposed scheme of arrangement to settle at 25% of the amount owed to the adjudicated creditors, totalling $2.8 million, which was duly approved by the requisite majority of participating creditors present who voted. The payout was carried out subsequently on 21 November 2017.

2 Significant uncertainties in relation to termination of contracts (continued)

On 4 September 2017, TC filed an application to replace Deloitte & Touche LLP as JM and replace with Ms. Muk Siew Peng of KordaMentha Pte Ltd, or in the alternative, to appoint Ms. Muk Siew Peng as joint and several JM. Subsequently, the court granted TC's application to appoint the additional JM Ms. Muk Siew Peng.

On 21 September 2017, the JM filed notice of arbitration with the Singapore International Arbitration Centre ("**SIAC**") in respect of the disputes with TC in relation to **T4 Sub-Contract** work.

On 24 January 2018, the Company announced that on 17 January 2018, the Judge had granted stay in favour of arbitration and submitted his written grounds of judgement on 7 March 2018. The Company had also made a deposit to SIAC for the arbitration proceedings.

On 23 February 2018, the Company announced that on 12 February 2018, TC has filed a Notice of Appeal against the whole of the decision of the Judge given on 17 January 2018.

On 17 April 2018, the Company received a Notice of Intention to Withdraw Appeal filed by TC on 10 April 2018 confirming their further intention not to prosecute the appeal and their decision to withdraw the same.

The arbitration process is ongoing as at the reporting date.

3 Summary of significant accounting policies

3.1 Basis of preparation

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 3.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore Dollars ("SGD" or "$"), except when otherwise indicated.

3.2 First-time adoption of SRFS(I)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.2 First-time adoption of (SRFS(I)) (continued)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemption applied as described above and the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

SFRS(I) 9 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 First-time Adoption of SFRS(I) and has not restated comparative information in the year of initial application which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment loss based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment loss on the Group's trade receivables of $254,643. The additional impairment loss recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $254,643 as at 1 January 2018.

3 Summary of significant accounting policies (continued)

3.2 First-time adoption of (SRFS(I)) (continued)

SFRS(I) 9 Financial Instruments (continued)

The reconciliation for loss allowances for the Group are as follow:

The Group	Trade receivables $
Opening loss allowance as at 01.01.2018	2,671,337
Amount restated through opening retained earnings	254,643
Adjusted loss allowance	2,925,980

<u>Tax adjustments and other adjustments</u>

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 9 has not been accounted for as it is not material.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SFRS(I) 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. The accounting policies for revenue under SFRS(I) 15 is as disclosed in Note 3.21. The Group has assessed that the adoption of SFRS(I) 15 did not have material effect on the financial performance or position of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.2 First-time adoption of (SRFS(I)) (continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the statement of financial position of the Group.

	Group				
	31 December 2017 (FRS)	SFRS(I) 15 reclassification	31 December 2017 (SFRS(I))	SFRS(I) 9 adjustments	1 January 2018 (SFRS(I))
	$	$	$	$	$
Assets					
Non-current assets					
Plant and equipment	1,056,824	–	1,056,824	–	1,056,824
	1,056,824	–	1,056,824	–	1,056,824
Current assets					
Gross amount due from customers for work-in-progress	5,227,835	(5,227,835)	–	–	–
Inventories	2,045,563	–	2,045,563	–	2,045,563
Trade and other receivables	8,077,705	–	8,077,705	(254,643)	7,823,062
Contract assets	–	5,227,835	5,227,835	–	5,227,835
Prepaid operating expenses	386,309	–	386,309	–	386,309
Fixed deposits pledged	246,645	–	246,645	–	246,645
Cash and bank balances	2,895,124	–	2,895,124	–	2,895,124
	18,879,181	–	18,879,181	(254,643)	18,624,538
Total assets	**19,936,005**	**–**	**19,936,005**	**(254,643)**	**19,681,362**
Liabilities					
Current liabilities					
Trade and other payables	9,709,005	–	9,709,005	–	9,709,005
Income tax payable	2,449	–	2,449	–	2,449
Obligation under finance lease	4,721	–	4,721	–	4,721
	9,716,175	–	9,716,175	–	9,716,175
Total liabilities	**9,716,175**	**–**	**9,716,175**	**–**	**9,716,175**
Equity					
Equity attributable to owners of the Company					
Share capital	18,193,154	–	18,193,154	–	18,193,154
Retained earnings	(6,525,211)	–	(6,525,211)	(254,643)	(6,779,854)
Other reserves	(1,496,029)	–	(1,496,029)	–	(1,496,029)
	10,171,914	–	10,171,914	(254,643)	9,917,271
Non-controlling interests	47,916	–	47,916	–	47,916
Total equity	10,219,830	–	10,219,830	(254,643)	9,965,187
Total equity and liabilities	**19,936,005**	**–**	**19,936,005**	**(254,643)**	**19,681,362**

3 Summary of significant accounting policies (continued)

3.3 New SFRS(I) and INT SFRS(I) yet to be adopted

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

	Effective for annual periods beginning on or after
● SFRS(I) 16 *Leases*	1 January 2019
● SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
● Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
● Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.3 New FRS and INT FRS yet to be adopted (continued)

SFRS(I) 16 *Leases (continued)*

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

The Group plans to adopt the new standard on the required effective date and expects the adoption of the new standard to have a material impact on the Group's financial statements as there will be an increase in total assets, total liabilities, EBITDA and gearing ratio.

3.4 Basis of consolidation and business combinations

a) Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquire (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

3 Summary of significant accounting policies (continued)

3.5 Transactions with non-controlling interests

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

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

3.6 Foreign currency

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

a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

b) Consolidated financial statements

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

3 Summary of significant accounting policies (continued)

3.7 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Furniture and fittings	3 - 10 years
Plant and machinery	3 - 10 years
Renovation	5 - 10 years
Motor vehicles	5 - 6 years
Computers and office equipment	2 - 10 years

The cost of plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration costs is also included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use. The carrying amounts of plant and equipment are reviewed yearly in order to assess whether their carrying amounts need to be written down to recoverable amounts. Recoverable amount is defined as the higher of value in use and fair value less cost to sell.

The residual value, useful life and depreciation method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

3.8 Subsidiaries

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

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

3 Summary of significant accounting policies (continued)

3.9 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

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

Where necessary, damaged, obsolete and slow-moving items are written down to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.11 Impairment of non-financial assets

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

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

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

3.12 Financial instruments

These accounting policies are applied on and after the initial application date of SFRS(I) 9, 1 January 2018:

a) <u>Financial assets</u>

Initial recognition and measurement

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

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

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

Subsequent measurement

All the financial assets of the Group are measured at amortised cost during the reporting period and as at reporting date.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

a) Financial assets (continued)

De-recognition

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

These accounting policies are applied before the initial application date of SFRS(I) 9, 1 January 2018:

c) Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

c) Financial assets (continued)

Subsequent measurement

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

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any exchange differences, interest and dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise equity securities actively managed by the Group to address short-term liquidity needs. Financial assets designated at fair value through profit or loss comprise quoted investment that otherwise would have been classified as available-for-sale.

ii) *Loans and receivables*

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

Loans and receivables comprise trade and other receivables, fixed deposit pledged and cash and cash equivalents.

Cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

De-recognition

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

d) Financial liabilities

Initial recognition and measurement

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

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

d) Financial liabilities (continued)

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

Subsequent measurement

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

Other financial liabilities comprise trade and other payables, bank borrowings, and obligation under finance lease.

Derecognition

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

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

3.13 Impairment of financial assets

These accounting policies are applied on and after the initial application date of SFRS(I) 9, 1 January 2018:

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.13 Impairment of financial assets (continued)

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

<u>Definition of default</u>

The Group considers the followings as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when there is evidence that a financial asset is credit impaired unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

These accounting policies are applied before the initial application date of SFRS(I) 9, 1 January 2018:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, 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 discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases. Assets held under finance lease are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. For operating leases, operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.15 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 3.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

3.16 Provisions

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

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

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

3.17 Share capital and share issuance expenses

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

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.18 Employee benefits

a) *Defined contribution plans*

The Company and the Group contribute to the Central Provident Fund ("CPF") or equivalent fund, a defined contribution plan regulated and managed by the Government of Singapore or other authorities, which applies to the majority of the employees. The Company's and the Group's contributions to CPF or equivalent are recognised to the profit or loss in the period to which the contributions relate.

b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

c) *Share-based compensation benefits*

The remuneration shares are accounted for as equity-settled share-based payments, which are measured at fair value at the date of grant. The share-based expense is recognised in profit or loss with a corresponding entry to reserve based on the number of shares granted that vest upon the satisfaction of the vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share reserve. After vesting date, no subsequent adjustment is made.

The dilutive effects of the remuneration share are reflected as additional share dilution in the computation of diluted earnings per share (Note 11).

3.19 Income taxes

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

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

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

3 Summary of significant accounting policies (continued)

3.19 Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.20 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:-

– Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services 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 goods and services tax included.

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

3.21 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.21 Revenue recognition (continued)

(a) Manufacturing revenue

Manufacturing revenue relates to revenue generated from the manufacture, supply and installation of Ethylene Tetrafluoroethylene (''ETFE'') coated ducts, uncoated stainless steel ducts and galvanised ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

Revenue is recognised when the goods are delivered to the customer (i.e. at a point in time). The amount of revenue recognised is the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods to the customer.

(b) Engineering services revenue

The Group sells and installs electronic equipment. The sale of equipment and rendering of installation service are either sold separately, or in bundled packages where discounts are provided to customers. For bundled packages, the Group accounts for the sale of equipment and installation service separately. The transaction price is allocated to the sale of equipment and installation services based on their relative stand-alone selling prices.

For the sale of equipment, revenue is recognised upon delivery of the equipment to the customer and accepted by the customer and the collectability of the related receivable is reasonably assured.

For the installation of the equipment, revenue is recognised at a point-in-time upon completion of installation and acceptance by customer.

The Group offers maintenance services to customers. The Group accounts for maintenance services as a separate performance obligation. Revenue is recognised over time over the maintenance period.

(c) Distribution and services revenue

Distribution and services revenue relates to distribution of the air-flow systems and Individual Ventilated Cages. Revenue is recognised when the goods are delivered to the customer (i.e. at a point in time). The amount of revenue recognised is the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods to the customer.

(d) Interest income

Interest income is recognised using the effective interest method.

3.22 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions have been complied with.

3 Summary of significant accounting policies (continued)

3.23 Contingencies

A contingent liability is:-

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:-

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3.24 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits.

3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements

For the financial year ended 31 December 2018

4 Significant accounting judgements and estimates

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

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the view that there are no critical judgements involved that have a significant effect on the accounts recognised in the financial statements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements. Such changes are reflected in the assumptions when they occur.

4.2 Key sources of estimation uncertainty

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

a) Impairment of investments in subsidiaries

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the carrying amounts of the investments are determined on the basis of the net recoverable amounts to determine the extent of the impairment loss. As at reporting date, due to events as described in Note 2, the management was unable to perform impairment test on the investment in ASPL.

b) Write down for slow-moving and obsolete inventories

The determination of allowance for inventory write down to net realisable value requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write down required.

The Group carried out a review of inventories to determine the write down for slow-moving inventories and whether inventories are stated at the lower of cost and net realisable value. The Group's write down for inventories as at 31 December 2018 are disclosed in Note 15.

4 Significant accounting estimates and judgements (continued)

4.2 Key sources of estimation uncertainty (continued)

c) Provision for expected credit losses of contract assets

The costs to fulfil contracts with customers related to costs mainly incurred on ACMV systems of the T1E Sub-Contract and T4 Sub-Contract undertaken by ASPL. The project was in dispute with a major customer, Takenaka Corporation and subsequently referred to arbitration which commenced on 21 September 2017. Due to the prolonged arbitration process and uncertainty of the outcome of the arbitration, an impairment loss of $7,768,034 was recognised accordingly in 2017, notwithstanding that ASPL had an outstanding claim in excess of the contract assets against the customer.

Significant judgement is used to estimate the impairment amount. In making these estimates, management has relied on the results of previous adjudication proceedings through the Security of Payment ("SOP") as a general guidance for assessment of contract assets impairment and to determine the impairment amount. The adjudication tribunal had awarded an amount of approximately 47.4% of the submitted claim.

The Group's impairment loss for contract assets as at 31 December 2018 is disclosed in Note 5(b).

d) Provision for expected credit losses ("ECLs") of trade and other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstance and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 28.1(iv).

The carrying amount of trade and other receivables and contract assets as at 31 December 2018 are $9,264,383 and $5,827,202 (31.12.2017: $8,077,705 and $5,227,835, 01.01.2017: $7,666,999 and $9,229,065) respectively.

5 Revenue

(a) Disaggregation of revenue

	The Group	
	2018	2017
	$	$
Main revenue streams:		
Engineering services	**6,294,816**	4,848,884
Manufacturing	**14,249,160**	7,138,440
Distribution and services	**–**	54,162
	20,543,976	12,041,486
Timing of transfer of goods or services		
At a point in time	**20,332,857**	11,946,982
Over time	**211,119**	94,504
	20,543,976	12,041,486

(b) Receivables, contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers are disclosed as follows:

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Receivables from contracts with customers (Note 16)	**5,844,682**	4,563,721	4,518,295
Contract assets	**5,827,202**	5,227,835	9,229,065
Contract liabilities	**(170,573)**	–	–

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $124,661 (2017: $278,812).

Contract assets primarily relate to the Group's right to consideration for work completed or goods delivered but not yet billed at reporting date. Contract assets will be transferred to trade receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers.

Contract liabilities are recognised as revenue as the Group satisfies its performance obligation under the contract.

5 Revenue (continued)

(b) Receivables, contract assets and contract liabilities (continued)

Significant changes in contract assets are disclosed as follows:

	The Group	
	2018	2017
	$	$
Impairment loss on contract assets (Note 8)	**–**	(9,210,315)

(c) Transaction price allocated to remaining performance obligations

The Group expects to recognise approximately $170,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in financial year 2019.

6 Other operating income

	The Group	
	2018	2017
	$	$
Foreign exchange gain	**–**	152,333
Grant received from government	**92,420**	119,901
Interest income	**1,447**	4,271
Other service income	**–**	29,789
Other income	**377,666**	125,376
Allowance for impairment on trade receivables written back	**302,016**	–
Write off of amount due to related party	**214,893**	–
Settlement of scheme with third party creditors	**–**	7,768,034
	988,442	8,199,704

In 2017, $7,768,034 was credited to other income as a result of waiver of liabilities arising from the proposed scheme of arrangement offered by the Company to buyout the adjudicated trade creditors of ASPL and subsequent settlement at 25% of the amounts owed (Note 2).

Notes to the Financial Statements

For the financial year ended 31 December 2018

7 Finance costs

	The Group	
	2018	2017
	$	$
Interest expense on finance lease	**18,662**	16,138

8 Profit/(loss) before tax

	The Group	
	2018	2017
	$	$
The following items have been included in arriving at profit/(loss) before tax:		
Audit fees paid/payable to the auditors of the Group	**100,531**	80,000
Allowance for impairment loss on trade and other receivables (Notes 28.1 (iii) and (iv))	**124,661**	278,812
Allowance for impairment loss on trade receivables written back (Notes 28.1 (iii) and (iv))	**(302,016)**	(28,000)
Bad debt written off	**–**	28,000
Gain on disposal of plant and equipment	**–**	(16,606)
Write-off of plant and equipment	**15,712**	–
Depreciation of plant and equipment (Note 12)	**372,592**	331,829
Directors' fees	**66,667**	94,000
Employee benefits expense (Note 9)	**4,775,172**	4,214,484
Operating lease rentals	**827,518**	521,589
Impairment loss on contract assets (Note 5(b))	**–**	9,210,315
Write down for slow-moving inventories	**92,441**	31,483
Professional and legal fees	**1,482,573**	860,242

9 Employee benefits expense

	The Group	
	2018	2017
	$	$
Employee benefits expense (including directors):		
Salaries and related costs	**4,468,343**	3,945,394
Contributions to defined contribution plans	**306,829**	269,090
	4,775,172	4,214,484

The above amounts include employee benefits paid to directors of the Company (Note 24(b)).

10 Income tax expense/(credit)

	The Group	
	2018	2017
	$	$
Current income tax		
- Current income taxation	**173,697**	101,861
- Over provision in respect of prior years	**(5,763)**	(82,498)
	167,934	19,363
Deferred income tax (Note 14)		
- Origination and reversal of temporary differences	**25,308**	(60,059)
- Under/(over) provision in respect of prior years	**31,710**	(48,947)
	57,018	(109,006)
Income tax expenses/(credit) recognised in profit of loss	**224,952**	(89,643)

The tax expenses/(credit) on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's profit/(loss) as a result of the following:

	The Group	
	2018	2017
	$	$
Profit/(loss) before taxation	**1,327,075**	(2,513,342)
Tax at Singapore statutory income tax rate of 17% (2017: 17%)	**225,603**	(427,268)
Effect of different tax rates of overseas operations	**5,966**	4,021
Tax exemption	**(28,932)**	–
Corporate income tax rebate	**(10,000)**	–
Non-deductible expenses	**61,126**	31,551
Income not subject to taxation	**(2,424)**	(17,014)
Deferred tax assets not recognised	**15,980**	451,720
Over provision of current tax in prior years	**(5,763)**	(82,498)
Under/(over) provision of deferred tax in prior years	**31,710**	(48,947)
Others	**(68,314)**	(1,208)
	224,952	(89,643)

As at reporting date, the Group has unutilised tax losses of approximately $6,903,000 (2017: $6,907,000), unabsorbed capital allowance of $193,000 (2017: $95,000) which are available for offset against future taxable profits for which no deferred tax assets are recognised due to unpredictability of the future profit streams to be generated by the Group in the foreseeable future. The deferred tax assets not recognised at reporting date totalled approximately $1,206,000 (2017: $1,190,000).

10 Income tax expense/(credit) (continued)

The utilisation of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate.

11 Earnings/(loss) per share

The basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. These profit/(loss) and shares data are presented in the tables below:

	The Group	
	2018	2017
	$	$
Basic and diluted profit/(loss) per share is based on:		
Net profit/(loss) attributable to owners of the Company	**1,120,973**	(2,416,889)

	Number of shares	
	2018	2017
Weighted average number of ordinary shares during the year	**467,195,259**	373,285,542
Earnings/(loss) per share (cents)	**0.24**	(0.65)

12 Plant and equipment

The Group	Furniture and fittings $	Plant and machinery $	Renovation $	Motor vehicles $	Computers and office equipment $	Total $
Cost						
At 1.1.2017	211,028	7,177,354	461,843	361,619	642,587	8,854,431
Additions	3,813	66,702	35,821	–	210,389	316,725
Disposals	(362)	(3,070)	–	(152,679)	(18,610)	(174,721)
Write off	–	(93,263)	–	–	–	(93,263)
Foreign exchange difference	14,357	47,311	3,735	644	970	67,017
At 31.12.2017 and 01.01.2018	**228,836**	**7,195,034**	**501,399**	**209,584**	**835,336**	**8,970,189**
Additions	**84,320**	**987,998**	**241,252**	**97,210**	**11,090**	**1,421,870**
Government grant (1)	**–**	**–**	**–**	**–**	**(100,820)**	**(100,820)**
Write off	**(145,344)**	**(2,325,503)**	**(74,224)**	**–**	**(11,560)**	**(2,556,631)**
Foreign exchange difference	**(1,284)**	**(14,536)**	**(3,664)**	**2,131**	**(104)**	**(17,457)**
At 31.12.2018	**166,528**	**5,842,993**	**664,763**	**308,925**	**733,942**	**7,717,151**
Accumulated depreciation						
At 1.1.2017	191,146	6,428,596	336,483	208,950	559,020	7,724,195
Depreciation for the year	4,899	189,093	35,071	40,529	62,237	331,829
Disposals	(241)	(1,295)	–	(87,221)	(14,535)	(103,292)
Write off	–	(93,263)	–	–	–	(93,263)
Foreign exchange difference	505	49,735	2,532	643	481	53,896
At 31.12.2017 and 01.01.2018	**196,309**	**6,572,866**	**374,086**	**162,901**	**607,203**	**7,913,365**
Depreciation for the year	**15,093**	**225,173**	**58,985**	**24,102**	**49,239**	**372,592**
Write off	**(142,667)**	**(2,325,359)**	**(61,827)**	**–**	**(11,066)**	**(2,540,919)**
Foreign exchange difference	**(168)**	**(3,363)**	**(433)**	**(46)**	**(46)**	**(4,056)**
At 31.12.2018	**68,567**	**4,469,317**	**370,811**	**186,957**	**645,330**	**5,740,982**
Net carrying amount						
At 01.01.2017	19,882	748,758	125,360	152,669	83,567	1,130,236
At 31.12.2017	32,527	622,168	127,313	46,683	228,133	1,056,824
At 31.12.2018	**97,961**	**1,373,676**	**293,952**	**121,968**	**88,612**	**1,976,169**

Leased assets are pledged as security for the related finance lease liabilities.

Assets held under finance lease

During the financial year, the Group acquired plant and equipment with an aggregate cost of $645,825 (31.12.2017 and 01.01.2017: $Nil) by means of finance leases. The cash outflow on acquisition of plant and equipment amounted to $776,045 (31.12.2017: $316,725, 01.01.2017: $295,704).

The net carrying amount of asset acquired under finance lease (Note 20) at the reporting date amounted to $832,085 (31.12.2017: $23,120, 01.01.2017: $480,274).

Notes to the Financial Statements

For the financial year ended 31 December 2018

12 Plant and equipment (continued)

The Company	Furniture and fittings	Plant and machinery	Renovation	Motor vehicles	Computers and office equipment	Total
	$	$	$	$	$	$
Cost						
At 1.1.2017	33,380	1,315,705	108,014	73,616	217,156	1,747,871
Additions	–	6,916	–	–	179,950	186,866
At 31.12.2017 and 01.01.2018	**33,380**	**1,322,621**	**108,014**	**73,616**	**397,106**	**1,934,737**
Government grant [(1)]	**–**	**–**	**–**	**–**	**(100,820)**	**(100,820)**
At 31.12.2018	**33,380**	**1,322,621**	**108,014**	**73,616**	**296,286**	**1,833,917**
Accumulated depreciation						
At 1.1.2017	31,780	1,297,239	100,977	65,031	206,971	1,701,998
Depreciation for the year	1,600	10,325	3,519	4,293	8,491	28,228
At 31.12.2017 and 01.01.2018	**33,380**	**1,307,564**	**104,496**	**69,324**	**215,462**	**1,730,226**
Depreciation for the year	**–**	**10,639**	**3,518**	**4,292**	**9,131**	**27,580**
At 31.12.2018	**33,380**	**1,318,203**	**108,014**	**73,616**	**224,593**	**1,757,806**
Net carrying amount						
At 01.01.2017	1,600	18,466	7,037	8,585	10,185	45,873
At 31.12.2017	–	15,057	3,518	4,292	181,644	204,511
At 31.12.2018	**–**	**4,418**	**–**	**–**	**71,693**	**76,111**

(1) Government grant of S$100,820 has been offset against the carrying amount of plant and equipment.

13 Investment in subsidiaries

	The Company		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Unquoted equity investments, at cost	**17,868,012**	17,868,012	17,338,012
Allowance for impairment losses	**(9,135,092)**	(9,135,092)	(9,635,092)
	8,732,920	8,732,920	7,702,920

13 Investment in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ Place of business	Percentage of equity held			Principal activities
		31.12.2018	31.12.2017	01.01.2017	
Held by the Company					
Acesian Engineering (M) Sdn. Bhd. (1)	Malaysia	100%	100%	100%	Manufacture of air related ducts and accessories.
Acesian Engineering Pte. Ltd. (2)	Singapore	100%	100%	100%	Fabrication of galvanised steel-ducts.
Acesian Technologies Pte. Ltd. (2)	Singapore	100%	100%	100%	Sales and distribution of air related ducts and accessories, and offering project management and consultancy services.
Linair Technologies (Suzhou) Co., Ltd. (3)	People's Republic of China	100%	100%	100%	Dormant.
Shanghai XianDa Industry Equipment Installation Co., Ltd. (3)	People's Republic of China	70%	70%	70%	Dormant.
Acesian Sun Pte. Ltd. (2)	Singapore	100%	100%	100%	General contractors for air-conditioning.
Acesian Systems Pte. Ltd. (2)	Singapore	100%	100%	100%	General contractors for infocomm technologies.
Acesian Star (S) Pte. Ltd. (4)	Singapore	100%	100%	100%	General contractors for building construction, pumping and air-conditioning.
Held through Acesian Star (S) Pte. Ltd.					
Active Building Technologies Pte. Ltd. (2)	Singapore	100%	100%	100%	Inactive.

(1) Audited by PKF Malaysia
(2) Audited by PKF-CAP LLP, Singapore
(3) Reviewed by PKF-CAP LLP, Singapore for consolidation purposes
(4) Unaudited as the subsidiary is under Judicial Management

13 Investment in subsidiaries (continued)

The movement of allowance for impairment losses is as follows:

	The Company		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Balance at beginning of the year	**9,135,092**	9,635,092	9,635,092
Impairment loss written back during the year	**–**	(500,000)	–
Balance at end of the year	**9,135,092**	9,135,092	9,635,092

<u>Non-controlling interests ("NCI")</u>

The Group has no subsidiaries that have NCI that are considered material to the Group.

<u>Significant restrictions</u>

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of a subsidiary are:

Assets of $9,572,757 (31.12.2017: $9,594,065, 01.01.2017: $14,681,359) and liabilities of $3,343,085 (31.12.2017: $2,647,374, 01.01.2017: $9,863,914) held by one of the subsidiaries, ASPL, which is currently placed under Judicial Management.

14 Deferred tax liabilities

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Deferred tax liabilities	**(56,308)**	–	(109,006)
The movements of deferred tax are as follows:			
Balance at beginning of the year	**–**	(109,006)	(28,117)
Adjustment to profit or loss (Note 10)	**(57,018)**	109,006	(82,441)
Exchange differences	**710**	–	1,552
Balance at end of the year	**(56,308)**	–	(109,006)
The deferred tax asset and liabilities are attributable to the followings:			
Excess of net carrying amount over tax written down value of plant and equipment	**(204,731)**	–	(69,407)
Other taxable temporary differences	**148,423**	–	(39,599)
	(56,308)	–	(109,006)

Notes to the Financial Statements

For the financial year ended 31 December 2018

15 Inventories

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Statement of financial position:			
Raw materials	**1,888,401**	1,441,204	883,980
Work-in-progress	**252,507**	46,271	29,849
Finished goods	**883,983**	558,088	472,174
Goods in transit	**–**	–	9,226
	3,024,891	2,045,563	1,395,229
Statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	**5,925,460**	3,600,083	
Inclusive of the following charge/(credit)			
- Inventories written-down	**92,441**	31,483	
- Reversal of write-down of inventories	**–**	(1,808)	

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

16 Trade and other receivables

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Trade receivables						
- Third parties	**8,218,143**	7,235,058	6,957,283	**44,261**	378,791	388,474
- Subsidiaries	**–**	–	–	**1,697,201**	740,644	740,644
	8,218,143	7,235,058	6,957,283	**1,741,462**	1,119,435	1,129,118
Allowance for impairment loss (trade) (Notes 28.1 (iii) and (iv))	**(2,373,461)**	(2,671,337)	(2,438,988)	**(855,407)**	(1,066,709)	(1,066,709)
Trade receivables, net	**5,844,682**	4,563,721	4,518,295	**886,055**	52,726	62,409
Amount owing by subsidiaries, non-trade	**–**	–	–	**17,519,420**	32,639,429	21,662,769
Deposits	**670,828**	532,632	235,534	**336,508**	51,519	39,484
Interest receivable	**70**	–	891	**70**	–	–
Retention sums receivable	**2,167,348**	2,166,680	2,101,680	**–**	–	–
Other receivables	**581,455**	814,672	810,599	**18,303**	246,459	226,804
Allowance for impairment loss (non-trade) (Notes 28.1 (iii) and (iv))	**–**	–	–	**(12,596,901)**	(11,126,652)	(3,548,184)
Total trade and other receivables	**9,264,383**	8,077,705	7,666,999	**6,163,455**	21,863,481	18,443,282

Notes to the Financial Statements

For the financial year ended 31 December 2018

16 Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amount owing by subsidiaries are unsecured, interest-free and repayable on demand.

The trade and other receivables denominated in foreign currencies at reporting date are as follows:

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
United States Dollars	**200,631**	16,667	16,261	**–**	–	–
Malaysian Ringgit	**–**	58	146,755	**–**	–	–

17 Fixed deposits pledged

The Company

The fixed deposits earn interest at the rates of 0.25% (31.12.2017: 0.25%, 01.01.2017: 0.25%) per annum and had been pledged to a bank for banking facilities obtained by a subsidiary (Note 27). The pledge were released upon completion of the project.

The Group

The fixed deposits earn interest at the rates of 0.25% to 3.91% (31.12.2017: 0.25% to 3.3%, 01.01.2017: 0.05% to 3.3%) per annum and have been pledged to various banks for banking facilities granted to the Group (Note 27). Fixed deposits are all denominated in the functional currency of the respective Companies.

18 Cash and cash equivalents

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Fixed deposits	**–**	224,910	333,430	**–**	114,091	113,804
Cash at banks	**6,025,335**	2,670,214	6,899,610	**1,887,228**	428,095	3,747,215
Cash and bank balances	**6,025,335**	2,895,124	7,233,040	**1,887,228**	542,186	3,861,019
Less: Garnishee order	**–**	(43,370)	–	**–**	–	–
Cash and cash equivalents	**6,025,335**	2,851,754	7,233,040	**1,887,228**	542,186	3,861,019

The fixed deposits earn interest at the rates of Nil% (31.12.2017: 3.3%, 01.01.2017: 0.625%) per annum.

18 Cash and cash equivalents (continued)

In the prior year, a supplier of a subsidiary was granted a garnishee order on the subsidiary's bank account amounting to $43,370. The garnishee order was discharged during the year.

Included in cash and cash equivalents are bank balances held by ASPL of $1,130,020 (31.12.2017: $811,433, 01.01.2017: $430,766) that is currently placed under Judicial Management where the balances are not available for general used by the Company or other subsidiaries.

Cash and cash equivalents denominated in foreign currencies at reporting date are as follows:

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
United States Dollars	**1,397,204**	512,607	101,784	**1,300,425**	14,387	15,549

19 Trade and other payables

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Trade payables	**6,370,990**	3,425,700	9,466,622	**110,667**	154,609	71,450
Retention sums payable	**449,122**	1,835,374	1,173,873	**–**	41,438	41,438
Amount owing to a related party, trade	**992,419**	486,698	113,266	**–**	–	–
Amount owing to subsidiaries, trade	**–**	–	–	**–**	18,222,029	19,054,926
Amount owing to subsidiaries, non-trade	**–**	–	–	**1,209,932**	3,702,341	1,735,745
Accruals – directors' fees	**69,600**	164,000	123,400	**69,600**	164,000	123,400
Accrued operating expenses	**2,036,256**	2,079,277	1,941,157	**280,215**	272,641	261,693
Other payables	**1,539,838**	1,717,956	1,252,954	**122,927**	19,506	43,653
	11,458,225	9,709,005	14,071,272	**1,793,341**	22,576,564	21,332,305
Advance payments received	**61,398**	–	97,884	**–**	–	–
	11,519,623	9,709,005	14,169,156	**1,793,341**	22,576,564	21,332,305

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

The non-trade amount owing to subsidiaries are interest free, unsecured, repayable on demand and are to be settled in cash.

19 Trade and other payables (continued)

Other payables include an amount of $939,000 (31.12.2017: $939,000, 01.01.2017: $939,000) payable to a customer based on the adjudication review determination made pursuant to Building and Construction Industry Security of Payment Act which reduced the amount of award in favour of a subsidiary of the Group that was determined in an earlier adjudication for which the customer had made full payment.

Trade and other payables denominated in foreign currencies at reporting date are as follows:

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
United States Dollars	**714,529**	55,062	139,150	**–**	–	–
New Taiwan Dollars	**747,119**	490,982	125,140	**–**	8,280	13,944

20 Obligation under finance lease

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Repayable within one year	**230,202**	4,768	106,676
Repayable between two to five years	**313,772**	–	63,816
Later than five years	**6,961**	–	–
	550,935	4,768	170,492
Less: Future finance charges	**(61,609)**	(47)	(20,252)
Present value of finance lease liabilities	**489,326**	4,721	150,240

The Group leases certain plant and machinery from non-related parties under finance lease. The present value of finance lease liabilities is analysed below as follows:

Current:			
Repayable within one year	**205,393**	4,721	95,897
Non-current:			
Repayable between two to five years	**283,933**	–	54,343
	489,326	4,721	150,240

20 Obligation under finance lease (continued)

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Malaysian Ringgit	**433,493**	–	56,483

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The weighted average effective interest rate of finance lease at the reporting date is at a range of 6.05% to 7.33% (31.12.2017: 6.80%, 01.01.2017: 5.69%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

			Non-cash changes			
	2017	Cash flows	Acquisition	Interest Expense	Interest Paid	2018
	$	$	$	$	$	$
Obligation under finance lease	4,721	(161,220)	645,825	18,662	(18,662)	489,326

			Non-cash changes			
	1 January 2017	Cash flows	Acquisition	Interest Expense	Interest Paid	31 December 2017
	$	$	$	$	$	$
Obligation under finance lease	150,240	(145,519)	–	16,138	(16,138)	4,721

21 Provisions

The Judicial Managers of ASPL made a claim amounting to $860,232 for the Judicial Management fees which was disputed by the Company as the sole adjudicated creditor of ASPL.

As at reporting date, ASPL provided for $740,232 representing the outstanding balance of the claim by the Judicial Managers of ASPL.

The above matter is under court proceedings and is ongoing as at the reporting date.

Notes to the Financial Statements

For the financial year ended 31 December 2018

22 Share capital

	The Group and Company			
	2018	2017	**2018**	2017
	No. of Shares		**$**	$
Ordinary shares issued and fully paid:				
At beginning of the year	**373,285,542**	373,285,542	**18,193,154**	18,193,154
Issuance of shares	**125,212,956**	–	**2,128,620**	–
At end of the period/year	**498,498,498**	373,285,542	**20,321,774**	18,193,154

In March 2018, the Company issued 125,212,956 new ordinary shares at an aggregate amount of $2,128,620. The Company intends to utilise the proceeds to fund the general working capital requirements which may arise from the growth of the Group's various business segments.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share without restriction. The ordinary shares have no par value.

23 Foreign currency translation reserve

The foreign currency translation reserve relates to exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

24 Significant related party transactions

(a) Sales and purchases

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered between the Group and related parties (excluding entities within the Group) that took place at terms agreed between the parties during the financial year:

	2018	2017
	$	$
The Group		
Purchases from related parties	**1,490,860**	378,716

24 Significant related party transactions (continued)

(b) Compensation of key management personnel

	The Group		The Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Short-term employee benefits	**1,029,321**	1,089,247	**810,835**	940,824
Central provident fund contributions	**73,789**	69,699	**48,541**	58,834
	1,103,110	1,158,946	**859,376**	999,658

Comprise amounts paid/payable to:

	The Group		The Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Directors of the Company	**938,264**	859,613	**694,530**	700,325
Other key management personnel	**164,846**	299,333	**164,846**	299,333
	1,103,110	1,158,946	**859,376**	999,658

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

25 Operating lease commitments – where the Group is a lessee

At the reporting date, the Group and the Company were committed to making the following lease rental payments under non-cancellable operating leases:

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Not later than one year	**534,672**	440,912	463,635	**342,299**	104,400	35,650
More than one year but less than five years	**125,329**	354,255	83,629	**3,435**	100,050	–
	660,001	795,167	547,264	**345,734**	204,450	35,650

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises and equipment. Leases are negotiated for an average term of one to five years (31.12.2017: one to two years, 01.01.2017: one to four years).

26 Capital commitments

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

	The Group		
	31.12.2018	31.12.2017	01.01.2017
	$	$	$
Approved and contracted for:			
Factory renovation	**21,090**	738,785	–

27 Contingencies

<u>Contingent liabilities</u>

- Arbitration on legal disputes and claims

  The legal claims, which are under arbitration proceedings, are in relation to the disputes as disclosed in Note 2 to the financial statements. In June 2016, ASPL commenced adjudication proceedings by way of Security of Payment ("SOP") proceedings against TC in relation to the T4 Sub-Contract which the adjudication tribunal ruled in the favour of ASPL. Subsequently, TC made multiple counterclaims ("counterclaims") comprising back charges and liquidated damages against ASPL for an aggregate sum of about $27.8 million. In July 2017, the Judicial Managers ("JM") of ASPL rejected TC's Proof of Debt ("POD") in relation to the counterclaims of $27.8 million. In September 2017, an arbitration was commenced by the JM against TC in relation to the T4 Sub-Contract. Subsequently, TC raised the counterclaims significantly above the previous counterclaims of $27.8 million.

  The above dispute claims and counterclaims by the parties involved represent material contingent liabilities which the Group has not provided for in the financial statements as the Group's Management does not consider that there is any probable loss given that the outcome of the arbitration is uncertain.

  The latest amount of the counterclaims by TC has materially exceeded the previous counterclaims of $27.8 million, which is subject to the outcome of the arbitration, and the net assets value of ASPL and the Group as well as the claims made by ASPL against TC. This may have a significant impact on the financial position of the Group. The arbitration is ongoing and in observation of the arbitration confidentiality rules, disclosures of further details of these claims and counterclaims may prejudice the arbitration proceedings and accordingly, further information on matters in relation to the arbitration has not been provided.

- Writ of Summons

  In June 2018, a writ of summons was filed against the Company ("APL") and its subsidiaries, Acesian Engineering Pte Ltd ("AEPL") and Active Building Technologies Pte Ltd ("ABT") and 4 individuals who were key employees of the Group at the time the writ of summons was filed. The writ of summons was filed by ASPL and the additional Judicial Manager appointed pursuant to an application by TC. The writ of summons involved a claim that preferential payments of amounts of $7.2 million, $4.9 million, and $0.6 million had been made by ASPL to APL, ABT and AEPL respectively and sought the repayment of these alleged preferential payments to ASPL. The Company and its subsidiaries and the 4 individuals have all filed defences to the writ of summons denying that the aggregate amount of $12.7 million (or any part thereof) tantamount to preferential payments and will be vigorously defending the claims in the writ of action. Management believes that there are no merits to the claims and accordingly no provision for any liability has been made in these financial statements.

27 Contingencies (continued)

Financial support

The Company has provided a letter of financial support to a subsidiary in the Group with capital deficiency at financial year end.

Guarantees

The Group has provided the following guarantees at the end of the reporting period:

- Performance of contracts of $241,750 (31.12.2017: $44,968, 01.01.2017: $25,704).

- Guarantee of $150,000 (31.12.2017: $150,000, 01.01.2017: $Nil) to a financial institution in relation to the Judicial Management (Note 2).

- Guarantee of $484,221 (31.12.2017: $70,000, 01.01.2017: $104,817) to a financial institution in relation to some banking facilities of subsidiaries, which it is severally liable for in the event of default by the subsidiaries. The above facilities are secured by fixed deposits (Note 17).

No liability is expected to arise from the above guarantees given. The fair value of the above financial guarantees is not recognised as it is considered not material.

28 Financial risk management objective and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

Notes to the Financial Statements

For the financial year ended 31 December 2018

28 Financial risk management objective and policies (continued)

28.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including cash and cash equivalents and fixed deposit pledged), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Cash and cash equivalents and fixed deposits pledged are placed with financial institutions which are regulated and reputable.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and appropriate measures to mitigate credit risk exposures are undertaken to ensure that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supporting forward-looking information.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the customers will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

<u>Credit risk concentration profile</u>

The Group determines concentration of credit risk by monitoring the country and segment profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of allowance for impairment) at reporting date is as follows:

	31.12.2018		31.12.2017		01.01.2017	
	$	**% of**	$	% of	$	% of
The Group						
By country:						
Singapore	**5,358,789**	**92%**	4,327,793	95%	4,294,328	95%
Malaysia	**306,476**	**5%**	197,861	4%	223,967	5%
Other countries	**179,417**	**3%**	38,067	1%	–	–
	5,844,682	**100%**	4,563,721	100%	4,518,295	100%
By segment:						
Manufacturing	**3,903,530**	**67%**	2,299,951	50%	2,440,962	54%
Engineering services	**1,941,152**	**33%**	2,263,770	50%	1,998,774	44%
Distribution and services	**–**	**–**	–	–	78,559	2%
	5,844,682	**100%**	4,563,721	100%	4,518,295	100%

28 Financial risk management objective and policies (continued)

28.1 Credit risk (continued)

At the end of the reporting period, approximately 58% (31.12.2017: 51%, 01.01.2017: 31%) of the Group's trade receivables were due from 5 (31.12.2017: 5, 01.01.2017: 3) major customers who are located in Singapore.

(i) Financial assets that are neither past due nor impaired

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

(ii) Financial assets that are past due but not impaired

The Group and the Company have trade receivables amounting to $2,143,007 (31.12.2017: $3,283,178, 01.01.2017: $2,850,338) and $506 (31.12.2017: $48,782, 01.01.2017: $57,134) respectively, that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Trade receivables past due:						
Less than 30 days	**809,262**	833,578	978,873	**–**	–	3,759
30 – 60 days	**75,522**	491,278	420,539	**–**	–	–
61 – 90 days	**708,507**	183,075	506,151	**–**	–	1,857
91 – 365 days	**218,768**	633,073	800,579	**–**	–	51,518
More than 365 days	**330,948**	1,142,174	144,196	**506**	48,782	–
	2,143,007	3,283,178	2,850,338	**506**	48,782	57,134

Notes to the Financial Statements

For the financial year ended 31 December 2018

28 Financial risk management objective and policies (continued)

28.1 Credit risk (continued)

(iii) Financial assets that are past due and impaired

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group Individually impaired		The Company Individually impaired	
	31.12.2017	01.01.2017	31.12.2017	01.01.2017
	$	$	$	$
Nominal amount	2,977,885	2,866,016	14,993,361	5,135,879
Less: Allowance for impairment	(2,671,337)	(2,438,988)	(12,193,361)	(4,614,893)
	306,548	427,028	2,800,000	520,986
Movement in allowance for impairment:				
At beginning of the year	2,438,988	1,974,595	4,614,893	4,623,228
Current year allowance	278,812	622,036	9,353,883	–
Allowance written back	(28,000)	(76,172)	(1,775,415)	–
Allowance written off	–	(17,335)	–	(8,335)
Exchange differences	(18,463)	(64,136)	–	–
At end of year	2,671,337	2,438,988	12,193,361	4,614,893

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

(iv) Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	The Group	**The Company**
	Trade receivables	
	2018	**2018**
	$	**$**
Movement in allowance accounts:		
At 1 January (see Note 3.2)	**2,925,980**	**12,193,361**
Charge for the year	**124,661**	**1,588,955**
Written back	**(302,016)**	**–**
Written off	**(330,008)**	**(330,008)**
Exchange differences	**(45,156)**	**–**
At 31 December	**2,373,461**	**13,452,308**

28 Financial risk management objective and policies (continued)

28.2 Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly in United States Dollars ("USD"), Malaysian Ringgit ("RM") and New Taiwan Dollars ("NTD").

Sensitivity analysis for foreign currency risk

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

		Increase/(Decrease) Profit or loss	
		2018	2017
		$	$
The Group			
USD/SGD	- strengthened 5% (2017: 5%)	**36,000**	20,000
	- weakened 5% (2017: 5%)	**(36,000)**	(20,000)
RM/SGD	- strengthened 5% (2017: 5%)	**–**	(23,000)
	- weakened 5% (2017: 5%)	**–**	23,000
NTD/SGD	- strengthened 5% (2017: 5%)	**(31,000)**	(20,000)
	- weakened 5% (2017: 5%)	**31,000**	20,000

28.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to short term deposits and finance lease obligations with financial institutions. The impact of change in interest rate on the Group's financial assets and liabilities is minimal. As such, the effect of a sensitivity analysis on the Group's net profit/loss would be negligible.

28.4 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group and the Company monitor its liquidity needs by closely monitoring scheduled debt servicing payments for financial liabilities and their cash outflows due to day-to-day operations, as well as ensuring the availability of funding through an adequate amount of credit facilities, both committed and uncommitted.

Notes to the Financial Statements

For the financial year ended 31 December 2018

28 Financial risk management objective and policies (continued)

28.4 Liquidity risk (continued)

The table below analyses the maturity profile of the Group's and the Company's financial assets and liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 2 and 5 years	More than 5 years	Total
	$	$	$	$
The Group				
As at 31 December 2018				
Financial assets:				
Trade and other receivables*	9,068,328	–	–	9,068,328
Fixed deposits pledged	170,371	–	–	170,371
Cash and cash equivalents	6,025,335	–	–	6,025,335
Total undiscounted financial assets	**15,264,034**	**–**	**–**	**15,264,034**
Financial liabilities:				
Trade and other payables*	11,273,414	–	–	11,273,414
Obligation under finance lease	230,202	313,772	6,961	550,935
Total undiscounted financial liabilities	**11,503,616**	**313,772**	**6,961**	**11,824,349**
Total net undiscounted financial assets/(liabilities)	**3,760,418**	**(313,772)**	**(6,961)**	**3,439,685**
As at 31 December 2017				
Financial assets:				
Trade and other receivables*	8,077,705	–	–	8,077,705
Fixed deposits pledged	246,645	–	–	246,645
Cash and cash equivalents	2,851,754	–	–	2,851,754
Total undiscounted financial assets	11,176,104	–	–	11,176,104
Financial liabilities:				
Trade and other payables*	9,692,265	–	–	9,692,265
Obligation under finance lease	4,768	–	–	4,768
Total undiscounted financial liabilities	9,697,033	–	–	9,697,033
Total net undiscounted financial assets	1,479,071	–	–	1,479,071

28 Financial risk management objective and policies (continued)

28.4 Liquidity risk (continued)

	Less than 1 year $	Between 2 and 5 years $	More than 5 years $	Total $
<u>**The Group**</u>				
As at 1 January 2017				
Financial assets:				
Trade and other receivables*	7,666,999	–	–	7,666,999
Fixed deposits pledged	269,584	–	–	269,584
Cash and cash equivalents	7,233,040	–	–	7,233,040
Total undiscounted financial assets	15,169,623	–	–	15,169,623
Financial liabilities:				
Trade and other payables*	14,052,083	–	–	14,052,083
Obligation under finance lease	106,676	63,816	–	170,492
Total undiscounted financial liabilities	14,158,759	63,816	–	14,222,575
Total net undiscounted financial assets/(liabilities)	1,010,864	(63,816)	–	947,048

* exclude non-financial assets and non-financial liabilities of $196,055 and $246,209 (31.12.2017: $Nil and $16,740, 01.01.2017: $Nil and $117,073) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2018

28 Financial risk management objective and policies (continued)

28.4 Liquidity risk (continued)

	Less than 1 year $	Between 2 and 5 years $	Total $
<u>The Company</u>			
As at 31 December 2018			
Financial assets:			
Trade and other receivables**	6,163,455	–	6,163,455
Fixed deposits pledged	111,267	–	111,267
Cash and cash equivalents	1,887,228	–	1,887,228
Total undiscounted financial assets	**8,161,950**	**–**	**8,161,950**
Financial liabilities:			
Trade and other payables**	1,703,628	–	1,703,628
Total undiscounted financial liabilities	**1,703,628**	**–**	**1,703,628**
Total net undiscounted financial assets	**6,458,322**	**–**	**6,458,322**
As at 31 December 2017			
Financial assets:			
Trade and other receivables**	21,863,481	–	21,863,481
Fixed deposits pledged	190,988	–	190,988
Cash and cash equivalents	542,186	–	542,186
Total undiscounted financial assets	22,596,655	–	22,596,655
Financial liabilities:			
Trade and other payables**	22,557,375	–	22,557,375
Total undiscounted financial liabilities	22,557,375	–	22,557,375
Total net undiscounted financial assets	39,280	–	39,280
As at 1 January 2017			
Financial assets:			
Trade and other receivables**	18,443,282	–	18,443,282
Fixed deposits pledged	110,712	–	110,712
Cash and cash equivalents	3,861,019	–	3,861,019
Total undiscounted financial assets	22,415,013	–	22,415,013
Financial liabilities:			
Trade and other payables**	21,315,116	–	21,315,116
Total undiscounted financial liabilities	21,315,116	–	21,315,116
Total net undiscounted financial assets	1,099,897	–	1,099,897

** exclude non-financial assets and non-financial liabilities of $Nil and $89,713 (31.12.2017: $Nil and $19,189, 01.01.2017: $Nil and $17,189) respectively.

29 Capital Management

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios to support the Group's business operations and to maximise shareholder value.

The Group manages the capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Group's approach to capital management during the financial years ended 31 December 2018 and 2017.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents (including fixed deposits pledged). Total capital is calculated as equity plus net debt.

	The Group		The Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Net debt	**5,813,243**	6,571,957	**(205,154)**	21,843,390
Equity	**13,188,358**	10,171,914	**15,182,826**	8,988,300
Total Capital	**19,001,601**	16,743,871	**14,977,672**	30,831,690
Gearing ratio	**31%**	39%	**-1%**	70%

There were no loan covenants in place for the financial year ended 31 December 2018 and 31 December 2017.

30 Statement of operations by segments

For management purposes, the Group is organised into business units based on their activities and services, and has three reportable operating segments as follows:

<u>Manufacturing</u>

Manufacturing relates to revenue generated from the manufacture, supply, installation and maintenance of ETFE-coated ducts, uncoated stainless steel ducts and galvanised steel ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

<u>Distribution and services</u>

In 2017, distribution and services relate to revenue generated from the distribution of the air-flow systems and Individual Ventilated Cages. In 2018, Management has grouped distribution and services into manufacturing, distribution and services segment as they have similar economic characteristics.

Inter-segment pricing is determined on mutually agreed terms.

<u>Engineering services</u>

Engineering services relates to provision of turnkey facility construction management and specialist engineering.

<u>Corporate</u>

In 2018, corporate segment is involved in Group-level corporate services such as treasury, finance, human resource function and etc.

Notes to the Financial Statements

For the financial year ended 31 December 2018

30 Statement of operations by segments (continued)

(a) Business segments

Financial year ended 31 December 2018

	Manufacturing, distribution and services	Engineering services	Corporate	Total
	$	$	$	$
REVENUE				
Total Segment	22,087,313	6,929,692	7,713,828	36,730,833
Less: Inter-segment	(7,838,153)	(634,876)	(7,713,828)	(16,186,857)
External sales	14,249,160	6,294,816	–	20,543,976
RESULTS				
Segment results	3,566,003	(1,899,978)	(338,950)	1,327,075
Income tax expense				(224,952)
Non-controlling interest				18,850
Net profit attributable to owners of the Company				1,120,973
ASSETS				
Segment assets	12,010,759	11,942,814	2,461,674	26,415,247
Unallocated corporate assets				–
Total assets				26,415,247
LIABILITIES				
Segment liabilities	4,788,576	7,733,032	609,903	13,131,511
Unallocated corporate liabilities				–
Total liabilities				13,131,511
OTHER INFORMATION				
Capital expenditure	(1,332,936)	(88,934)	–	(1,421,870)
Depreciation	(303,319)	(41,693)	(27,580)	(372,592)
Write back/(allowance) for impairment of trade and other receivables, net	412,218	(191,108)	(43,755)	177,355
Write down for slow-moving inventories	(92,441)	–	–	(92,441)

30 Statement of operations by segments (continued)

(a) Business segments (continued)

Financial year ended 31 December 2017

	Manufacturing $	Engineering services $	Distribution and services $	Total $
REVENUE				
Total Segment	9,850,832	4,865,055	54,162	14,770,049
Less: Inter-segment	(2,712,392)	(16,171)	–	(2,728,563)
External sales	7,138,440	4,848,884	54,162	12,041,486
RESULTS				
Segment results	(829,543)	(1,705,464)	21,665	(2,513,342)
Income tax expense				89,643
Non-controlling interest				6,810
Net loss attributable to owners of the Company				2,416,889
ASSETS				
Segment assets	7,699,234	11,825,445	411,326	19,936,005
Unallocated corporate assets				–
Total assets				19,936,005
LIABILITIES				
Segment liabilities	3,511,466	6,204,709	–	9,716,175
Unallocated corporate liabilities				–
Total liabilities				9,716,175
OTHER INFORMATION				
Capital expenditure	(289,775)	(26,950)	–	(316,725)
Depreciation	(268,659)	(63,170)	–	(331,829)
Gain/(loss) on disposal of plant and equipment	9,650	(26,256)	–	(16,606)
Allowance for impairment loss on trade receivables	(278,812)	–	–	(278,812)
Impairment loss for contract assets	–	(9,210,315)	–	(9,210,315)

Notes to the Financial Statements

For the financial year ended 31 December 2018

30 Statement of operations by segments (continued)

(a) Business segments (continued)

	Manufacturing $	Engineering services $	Distribution and services $	Total $
1 January 2017				
ASSETS				
Segment assets	10,783,513	14,999,637	1,257,698	27,040,848
Unallocated corporate assets				–
Total assets				27,040,848
LIABILITIES				
Segment liabilities	2,599,791	11,689,981	341,960	14,631,732
Unallocated corporate liabilities				–
Total liabilities				14,631,732

(b) Geographical segments

Revenue	**2018** **$**	2017 $
Singapore	**20,364,559**	12,041,486
China	**179,417**	–
	20,543,976	12,041,486

The following table shows the assets by geographical area as at reporting date:

Total assets	**31.12.2018** **$**	31.12.2017 $	01.01.2017 $
Singapore	**22,296,371**	17,646,306	25,082,251
Malaysia	**3,980,311**	2,146,317	1,813,246
Republic of China	**138,565**	143,382	145,351
	26,415,247	19,936,005	27,040,848

31 Fair value of financial instruments

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

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

As at 31 December 2018 and 2017, the Group and the Company had no financial instruments measured at fair value using valuation techniques.

32 Categories of Financial Instruments

The categories of financial instruments as at the reporting date are as follows:-

	The Group			The Company		
	31.12.2018	31.12.2017	01.01.2017	**31.12.2018**	31.12.2017	01.01.2017
	$	$	$	**$**	$	$
Financial assets						
At amortised cost						
Trade and other receivables	**9,068,328**	8,077,705	7,666,999	**6,163,455**	21,863,481	18,443,282
Fixed deposit pledged	**170,371**	246,645	269,584	**111,267**	190,988	110,712
Cash and cash equivalents	**6,025,335**	2,851,754	7,233,040	**1,887,228**	542,186	3,861,019
	15,264,034	11,176,104	15,169,623	**8,161,950**	22,596,655	22,415,013
Financial liabilities						
At amortised cost						
Trade and other payables	**11,273,414**	9,692,265	14,052,083	**1,703,628**	22,557,375	21,315,116
Other financial liabilities						
Obligation under finance lease	**489,326**	4,721	150,240	**–**	–	–
	11,762,740	9,696,986	14,202,323	**1,703,628**	22,557,375	21,315,116

Notes to the Financial Statements

For the financial year ended 31 December 2018

33 Events subsequent to year end

On 11 March 2019, the Company entered into a share sale and purchase agreement in relation to the disposal of the Company's wholly-owned subsidiary, Acesian Sun Pte. Ltd. ("ASUN") for a consideration of $321,000. This transaction has been completed on 15 March 2019. Accordingly, ASUN has ceased to be a subsidiary of the Company.

34 Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 5 April 2019.

Shareholdings Statistics

As at 21 March 2019

Number of Issued Shares	:	498,498,498
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings[1]	:	498,498,498
Number of Treasury Shares	:	0
Number of Subsidiary Holdings	:	0
Percentage of Treasury Shares and Subsidiary Holdings	:	0.00%[2]
Class of Shares	:	Ordinary shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	:	One vote per share

Notes:

(1) "**Subsidiary Holdings**" means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore).

(2) Percentage calculated against the number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	3.12	143	0.00
100 – 1000	29	5.31	26,874	0.01
1,001 – 10,000	121	22.16	847,666	0.17
10,001 – 1,000,000	344	63.00	41,727,958	8.37
1,000,001 and above	35	6.41	455,895,857	91.45
Total	**546**	**100.00**	**498,498,498**	**100.00**

LIST OF 20 LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	QIU JUN	74,600,000	14.96
2	LOH YIH	54,300,002	10.89
3	RHB SECURITIES SINGAPORE PTE LTD	49,740,000	9.98
4	CAVANGH GROUP PTE LTD	47,380,000	9.50
5	PHILLIP SECURITIES PTE LTD	38,150,714	7.65
6	OH BOON SHI (HU WENSHI)	33,806,541	6.78
7	HILLS HOLDINGS PTE LTD	20,000,000	4.01
8	OCBC SECURITIES PRIVATE LTD	18,077,600	3.63
9	CITIBANK NOMS SPORE PTE LTD	13,145,000	2.64
10	LOH TOH YONG	12,000,000	2.41
11	TRIPLESTAR CAPITAL PTE LTD	11,120,000	2.23
12	LIM NGERN BOEY	7,275,200	1.46
13	WONG KOK CHYE	6,822,000	1.37
14	CHANG CHEN YU	6,698,000	1.34
15	DBS NOMINEES PTE LTD	6,534,000	1.31
16	YUEN CHEE KIN	6,469,000	1.30
17	TAN CHOW KHONG	6,400,000	1.28
18	SEE LOP FU JAMES @ SHI LAP FU JAMES	6,000,000	1.20
19	HUANG LING JUNG	5,960,000	1.20
20	TAN SOON LAN	5,767,000	1.16
	TOTAL:	**430,245,057**	**86.30**

Shareholdings Statistics

As at 21 March 2019

SUBSTANTIAL SHAREHOLDERS

	Number of Shares fully paid			
Name of Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Loh Yih[(1)]	54,300,002	10.89	47,449,000	9.52
Cavangh Group Pte Ltd	47,380,000	9.50	–	–
Qiu Jun	74,600,000	14.96	–	–
Ho Ta-Huang[(2)]	–	–	45,583,000	9.14
Chern Dar Enterprise Co. Ltd[(3)]	–	–	45,583,000	9.14
Kwok Ying Choy[(4)]	31,203,956	6.26	2,649,800	0.53
Oh Boon Shi (Hu WenShi)	33,806,541	6.78	–	–

Notes:

(1) Mr Loh Yih is deemed to be interested in the 47,380,000 shares held by Cavangh Group Pte. Ltd. and 69,000 shares held by his spouse.

(2) Mr Ho Ta-Huang is deemed to be interested in the 45,583,000 shares held by Chern Dar Enterprise Co. Ltd.

(3) Chern Dar Enterprise Co. Ltd's shares are held in the name of RHB Securities Singapore Pte Ltd.

(4) Mr Kwok Ying Choy is deemed to be interested in the 2,649,800 shares held in the name of Phillip Securities Pte Ltd.

PUBLIC FLOAT

Based on information available to the Company as at 21 March 2019, approximately 40.36% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of Acesian Partners Limited (the "**Company**") will be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082 on Friday, 26th day of April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Independent Auditors' Report thereon.
(Resolution 1)

2. To approve the payment of Directors' Fees of S$66,667.00 for the financial year ended 31 December 2018 (2017: S$64,000.00). **(Resolution 2)**

3. To re-elect Mr Ong Chin Lin* who is retiring under Article 89 of the Company's Constitution, as Director of the Company. **(Resolution 3)**
[See Explanatory Note (i)]

4. To re-elect Mr Wong Kok Chye* who is retiring under Article 89 of the Company's Constitution, as Director of the Company. **(Resolution 4)**
[See Explanatory Note (ii)]

5. To re-elect Mr Neo Gim Kiong* who is retiring under Article 88 of the Company's Constitution, as Director of the Company. **(Resolution 5)**
[See Explanatory Note (iii)]

6. To re-elect Mr Qiu Jun* who is retiring under Article 88 of the Company's Constitution, as Director of the Company.
(Resolution 6)
[See Explanatory Note (iv)]

7. To re-appoint PKF-CAP LLP, as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 7)

8. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

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

9. **General mandate to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual under Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:-

(A) (i) Allot and issue ordinary shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

* For details of their disclosure pursuant to Rule 720(5) of the Catalist Rules, please refer to pages 13 to 21 of the Annual Report.

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

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

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided always that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the company (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of any Instruments or any convertible Securities outstanding at the time this authority is given;

(b) (where applicable) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution of the Company for the time being in force; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

[See Explanatory Note (v)]

10. **Renewal of the Share Buy Back Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other provisions of the Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the shareholders of the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next AGM is held or is required by law to be held;

(ii) the date on which the share buy back is carried out to the full extent mandated; or

(iii) the date on which the authority contained in this Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the Shares of the Company as at the date of passing of this Ordinary Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares as at that date);

"**Relevant Period**" means the period commencing from the date of the AGM at which the Share Buy Back Mandate is approved and thereafter, expiring on the date on which the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares not exceeding:-

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price.

where:-

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Share Buy Back by the Company, pursuant to the Share Buy Back Mandate in any manner as they think fit, which is permissible under the Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." **(Resolution 9)**
[See Explanatory Note (vi)]

11. **Renewal of Linair (now known as Acesian) Performance Bonus Share Plan**

"That authority be and is hereby given to the Directors of the Company to grant awards under the Linair (now known as Acesian) Performance Bonus Share Plan (the "**Plan**") established by the Company from time to time in accordance with the provisions of the Plan and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." **(Resolution 10)**
[See Explanatory Note (vii)]

12. **Renewal of the Interested Persons Transactions Mandate**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST for the Company and its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Catalist Rules), or any of them, to enter into and to approve and/or ratify any of the transactions falling within the interested person transactions described in the Circular with any party who is of the class of interested persons described in the Circular, provided that such transactions are made on normal commercial terms and not prejudicial to the interest of the Company and the minority shareholders and in accordance with the Company's review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate. **(Resolution 11)**
[See Explanatory Note (viii)]

BY ORDER OF THE BOARD

WONG KOK CHYE

EXECUTIVE DIRECTOR AND GROUP CHIEF OPERATING OFFICER

11 APRIL 2019
SINGAPORE

Explanatory Notes:

(i) If re-elected under Resolution 3, Mr Ong Chin Lin will remain as an Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Mr Ong Chin Lin can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2018.

(ii) If re-elected under Resolution 4, Mr Wong Kok Chye will remain as Group Chief Operating Officer and Executive Director. Detailed information on Mr Wong Kok Chye can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2018.

(iii) If re-elected under Resolution 5, Mr Neo Gim Kiong will remain as an Independent Director of the Company, Chairman of the Audit Committee and Nominating Committee and a member of Remuneration Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Mr Neo Gim Kiong can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2018.

(iv) If re-elected under Resolution 6, Mr Qiu Jun will remain as Business Development Director (China) and Executive Director. Detailed information on Mr Qiu Jun can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2018.

(v) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of hundred per cent (100%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed fifty per cent (50%) of the issued share capital of the Company) for the purposes as they consider would be in the interest of the Company. This authority will continue in force until the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

(vi) Resolution 9, if passed, will empower the Directors of the Company, from the date of the AGM until the date the next AGM is to be held or required by law to be held, whichever is earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company up to the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Notice.

Notice of Annual General Meeting

(vii) Resolution 10, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the Acesian Performance Bonus Share Plan. The Directors may exercise their power to allot and issue shares in the Company pursuant to the Share Plan, provided that the aggregate number of shares to be allotted and issued shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution 8.

(viii) Resolution 11, if passed, will authorise the Interested Person Transactions as described in the Circular to Shareholders dated 11 April 2019 and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next general meeting of the Company is held or is required by law to be held, whichever is earlier.

Notes:-

(i) A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

(ii) A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

(iii) The instrument appointing a proxy must be deposited at the Company's registered office at 33 Mactaggart Road, #04-00 Lee Kay Huan Building, Singapore 368082, at least 48 hours before the time of the AGM.

(iv) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is:

Name: Mr Leong Weng Tuck, Registered Professional, RHT Capital Pte. Ltd.
Address: 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619
Tel: (65) 6381 6757

ACESIAN PARTNERS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 199505699D

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We ______________________ (Name) NRIC/Passport No./Company Registration No. ______________________

Of ____ (Address)

being a member/members of Acesian Partners Limited (the "**Company**"), hereby appoint: -

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person/persons, the Chairman of the Annual General Meeting (the "**Meeting**") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting to be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, on Friday, 26th day of April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/ proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(If you wish to exercise all your votes '**For**' or '**Against**', please tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	Approval of payment of Directors' Fees amounting to S$66,667.00 for financial year ended 31December 2018		
3.	Re-election of Mr Ong Chin Lin as a Director of the Company		
4.	Re-election of Mr Wong Kok Chye as a Director of the Company		
5.	Re-election of Mr Neo Gim Kiong as a Director of the Company		
6.	Re-election of Mr Qiu Jun as a Director of the Company		
7.	Re-appointment of PKF-CAP LLP as Auditors of the Company		
	Special Business		
8.	Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50		
9.	To renew the Share Buy Back Mandate		
10.	To renew the Linair (now known as Acesian) Performance Bonus Share Plan		
11.	To renew the Interested Person Transactions Mandate		

Dated this __________ Day of __________________ 2019

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Shareholder(s)
Or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company, is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

6. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, not less than 48 hours before the time appointed for the Meeting.

7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall, upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. Please indicate with a tick "√" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.

9. Subject to note 10, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

10. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

General:

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

ACESIAN PARTNERS LIMITED
33 Mactaggart Road, #04-00
Singapore 368082

Tel: (65) 6757 5310
Fax: (65) 6767 5319

www.acesian.com